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ARMENIA

Karabakh Official Notes Economic Recovery

944K0705A Paris HARATCH in Armenian 5 Jan 94 p 2

[Article by Arpi Totoyan: "Rugged Industry of a Country at War"]

[Text] In its two years of existence, the Nagorno-Karabakh Republic [NKR] has been able to accomplish a feat as tough as its presence and successes on the battlefield by reviving a virtually devastated economy and making it meet the day-to-day needs of its fighting people. Such an assertion probably leads many people to draw comparisons with the situation in Armenia—or at least to enumerate the auxiliary factors. It is true that Armenia has played a major role in Karabakh's economic success. Also, there is a big difference in the population sizes of the two countries: After all the economy of 150,000 people is not the same as that of 3.5 million people. While those arguments are justified, there is one important point that seems to be the real cause of the difference between the two situations: the leadership of Karabakh has been more skillful in waging the war on the economic front by resorting to more radical measures.

These are the impressions one obtains from an interview by Maksim Hovhannisian, director of the NKR information and press agency, with NKR's deputy prime minister Zhirayr Poghosian. The interview was published in the 22 December 1993 issue of HAYASTANI HANRAPETUTYUN. The deputy prime minister is not unfamiliar to the Armenian community of Paris: he accompanied Robert Kocharian, chairman of the NKR State Committee for Defense, during his visit to France in October.

Poghosian describes the state of NKR's economy as follows: "Imagine a patient who begins to learn walking immediately after a major surgery." Citing figures about the "patient" he says: "The republic's more than 60 agricultural enterprises—that is nearly a third of our resources—had halted their activities. Scores of enterprises and production units had been knocked out as a result of bombing. Industrial enterprises had completely stopped or operated at insignificant levels as a result of extremely inadequate means of delivery for raw materials and energy." For more tangible evidence, Poghosian cites figures from industry which clearly show that the sector, which suffered sharp declines from 1988 through 1992, began taking steps toward recovery in 1993. For example, the figures cited say the following about production of shoes: output declined from 4,515,000 pairs in 1987 to 189,000 pairs in 1992, but 204,000 pairs of shoes were produced in the first 7 months of 1993. The deputy prime minister says about the initial signs of recovery in 1993: "The liberation of Shushi and the opening of the Lachin corridor had a critical impact on the course of our struggle for survival. The blockade around us slackened somewhat. We started

getting electrical power from Armenia and enough raw materials to utilize our production facilities."

There is another element which contributed as much as, if not more than, the material factor to the economic recovery and which accounts for not an insignificant portion of the difference between NKR and Armenia. In that regard the deputy prime minister's remarks are so rejoicing that they can be cause for envy: "The strictest discipline was introduced and all persons of any responsibility were mandated to be accountable. It became inadmissible to blame any failure on the war. We had to live and work in the impossible conditions of war."

While figures for the first 7 months of 1993 are quite modest compared to 1988, what is important is that "there is no industrial enterprise in the republic that is not operating." Stating that "our economy is definitely on its way to recovery," Poghosian enumerates the bases for that confidence. The first issue is, as it is not hard to guess, that of energy. Poghosian says that this problem should be at least partially resolved by the end of the year. He is referring to the hydroelectric power plant that has been installed on the Sarsang dam. The plant is expected to operate at full capacity, and the electricity it generates will be transmitted to Stepanakert, Shushi and other regions of the republic. The project was made possible by a loan of about 1 billion rubles from Armenia. This appropriate project is expected to have dual benefits: not only will NKR stop being a burden on Armenia for its energy supplies but also, if necessary, some electricity will be transmitted to Armenia.

The NKR deputy prime minister explains how this vital issue was resolved in war conditions: "In recent years large quantities of cargo which was destined for Karabakh and for which we had paid was piled up in the train station at Agdam. As is known, that cargo became loot for our neighbors. The cargo included generators, transmission cable and other materials which we used as necessary."

Poghosian has interesting remarks about the other important prerequisite for industrial production: the supply of raw materials. During the Soviet period, Karabakh, like all the other republics, oblasts and okrugs had an industrial production system that depended on other regions. In other words, no branch of industry was self-sufficient. In addition, local resources had not been explored. For example, significant reserves of clay, which can be used for the manufacture of bricks, tiles and terra cotta were completely overlooked. Reserves of construction stone and marble were also ignored. Now all these resources have begun to be used in the construction of civilian housing and roads and for army contracts. The information on this subject is complemented by the mention of the Artsakh program of the Armenia Fund. That program allocated 1.041 billion rubles to the repair of homes and the construction of roads and power transmission lines. The same program envisages rebuilding completely the highway linking Goris to Stepanakert in 1994.

These positive indications naturally do not mean that everything is in order and solved. NKR still has many problems that await solution and which are not less important or pressing than those mentioned above. The agricultural sector needs fuel, raw materials for canning, fertilizers and seeds, in particular for regions that produce grains.

The livestock industry is also in dire straits. Grape production has declined. Although grape production accounted for 60 to 70 percent of Karabakh's income in the past, today only 31,000 tonnes of grapes can be produced. The main reason is the war and the fact that the plains in the Martakert region, which produced 60 percent of the grape harvest, are still in enemy hands.

Asked how the NKR industry meets the needs of the army, Poghosian gives the following example in lieu of an answer: "A facility to repair tanks and military vehicles has been built in one of the factories. That facility meets the needs of the army. We must express our gratitude to all the specialists who were able to solve complex technical problems in an incredibly short time."

Despite all the severe hardships, the deputy prime minister's expectations for the future, together with the encouraging information he provides, offer grounds for optimism: "No matter what happens we must create an invincible economy: advanced, productive and independent."

Ter Petrosyan Comments on Political Situation, 'Brain Drain'

944K0705B Paris GAMK in Armenian 17 Dec 93 pp 2, 4

[Interview with Armenian President Levon Ter Petrosyan by Yerevan YERKIR correspondent Nayiri Badalian, in Yerevan; date not specified; originally published in the 13 December issue of Yerevan YERKIR]

[Text] This interview with the president came about unexpectedly, on the spur of the moment. When our correspondent asked the president to comment on the Russian elections in the hallway of the parliament on 12 December she did not receive the expected comment, but gained a unique opportunity for an interview, which was surprising to the correspondent herself.

[YERKIR] Mr President, what is your assessment of Armenia's socioeconomic and political condition?

[Ter Petrosyan] There can be no unequivocal assessment. The only unequivocal assessment is that this is a transition period, with all of its contradictions and all the instructive elements in the process of building a state. The learning applies to the government as well as businessmen, the heads of state enterprises, our people, the banks and so forth. This is a serious issue.

[YERKIR] How long may this process last? In your opinion, when can this transition period end?

[Ter Petrosyan] In my opinion several decades are necessary. Of course, it is not necessary that we experience the same levels of tension and crisis as those we have now throughout those decades, but what is known as "transition," when it refers to a radical change from one system to another, must take 20, 30 or 40 years. This is the experience of all countries in the world.

[YERKIR] And when can the process of decline be halted and when can stabilization begin?

[Ter Petrosyan] It is hard to say. One can say that things can be worse than this. Things will be worse than this.

[YERKIR] Can one conclude from your remarks that no plans are being made in that direction?

[Ter Petrosyan] No, one cannot conclude that. Plans are made every day, every second.

[YERKIR] Then what do you think is the cause of the current situation? Apart from objective causes, what subjective factors do you see at the root of this situation? Inadequacy of the government system or those who govern?

[Ter Petrosyan] I can enumerate dozens of factors. First there is the inadequacy of the legislation. I consider that a subjective factor, because there are mechanisms to enact laws. Here both the government and the Supreme Council have their share of the blame. There is also a lack of professionalism in general. We are creating a state in new conditions. All of us are passing through a process of learning, and everyone has a right to err in that process. That is also subjective. The president takes decisions, the Supreme Council enacts laws. None of these can be turned into dogmas. These decisions and laws must be viewed as dynamic documents. We must be able to react to them very quickly and correct them as necessary. There is a certain sluggishness because of these subjective factors.

[YERKIR] Do you observe any mistakes or oversights on your part?

[Ter Petrosyan] As I said all these subjective factors are mistakes.

[YERKIR] On your part.

[Ter Petrosyan] I spoke about presidential decisions also. Why not?

[YERKIR] In terms of working in the legislative domain?

[Ter Petrosyan] Of course. There have been laws, for example, whose urgency I did not realize and which I submitted late when I could have done so sooner. In particular, the package of laws and decisions about privatization. I still think that we moved too slowly in that regard.

[YERKIR] What serious deficiencies have you noticed in the government's work with regard to the socioeconomic situation—if any, that is?

[Ter Petrosyan] It is impossible to say anything definite. I can attribute them to learning, inexperience and the current conditions of getting work done in new circumstances.

[YERKIR] Do you not think that the relative instability of the domestic political situation is the result of the abnormal state of relations with the opposition? What steps do you envisage taking to strengthen those relations?

[Ter Petrosyan] Is the present situation unstable?

[YERKIR] Comparatively. In other words, it could be better than it is now.

[Ter Petrosyan] It can always be better, but we must compare our situation with others.

[YERKIR] In any event, what steps would you take to move closer to the opposition as a first step to improve the domestic political situation?

[Ter Petrosyan] To move closer to the opposition? I have no demands from the opposition. I have no complaints about the opposition. The opposition is doing whatever it thinks is appropriate. That is why it is the opposition. The opposition decides on its own what its actions and policies will be. Let me say one thing: For me there is only one standard of appraisal, whether it is done by the opposition, the press or the government, or whether it is with regard to science or human relations: Objectivity. I have no other standards.

[YERKIR] Can one conclude from what has been said that you think that relations with the opposition are very normal and that there is no need for the government and the opposition to communicate with or to come closer to each other?

[Ter Petrosyan] I would like to emphasize one point further. When the press, the opposition or the government are striving to see and seek the truth then we have national harmony. If that happens they can always communicate with each other. But when that desire does not exist, one gets bargaining instead of harmony. Bargaining is not excluded in politics. We are not opposed to that either. Bargaining does not come about artificially but is created by life when real political forces are created. Real political forces have to reckon with each other, irrespective of whether they like or do not like each other. They are simply obligated to reckon with each other.

[YERKIR] Do you foresee the creation of a coalition government as an alternative?

[Ter Petrosyan] Life may mandate that. If life mandates it, we can have a coalition government, fresh elections or

early elections. At this time life does not force us to do that. By life I mean political life.

[YERKIR] When is the endorsement of a constitution expected? Are presidential elections envisaged after that?

[Ter Petrosyan] I am the most interested person in the endorsement of a constitution as soon as possible, and I am not backing off from my terms. I have declared my position repeatedly and I stand on it: Immediately after the endorsement of a constitution there must be fresh presidential and parliamentary elections.

[YERKIR] A few days ago, your press secretary, Mr Aram Abrahamyan, responding to a question about your address preceding the introduction of new currency, said that your sources passed erroneous information to you. What do you say about that?

[Ter Petrosyan] Aram Abrahamyan gave the wrong answer. He was simply not careful, because the question itself contained certain untruths. I do not want to comment on what that question implied. You can examine the recording carefully.

[YERKIR] I would like you to comment on the problem of the "brain drain" from Armenia and the state of the intelligentsia.

[Ter Petrosyan] It is no secret that emigration is observed in such conditions. It is the war.

[YERKIR] However, most of those emigrating are the scientific and technical intelligentsia.

[Ter Petrosyan] I do not agree with that. You give me the numbers. What do you mean by majority? Whatever numbers you have, please show them to me.

[YERKIR] I must concede that I do not have numbers at my disposal.

[Ter Petrosyan] Then let me give you the numbers. It is true that these are not the latest figures; they are four months old. When there was much talk about the "brain drain" we commissioned the Academy of Sciences to supply us with official information. It was determined that 13 members of the Academy left in the last two years. I repeat, this was the situation four months ago. I am giving the numbers and I am responsible for them.

[YERKIR] What steps are you taking to improve the social condition of the intelligentsia, in particular the scientific and technical intelligentsia?

[Ter Petrosyan] I do not separate the condition of our intelligentsia from that of our people, that is, our entire population.

[YERKIR] I mean, does the intelligentsia fall into the list of socially insecure classes for whom measures will be taken by your upcoming decree on indexation?

[Ter Petrosyan] If you paid any attention, in the most recent decrees on indexation, we tried to put in place a differentiated approach with respect to people who work in science, education and health care. I agree with the principle that a differentiated approach should be taken on the indexation issue, and in the future we must try to deepen gradually the implementation of that principle. The intelligentsia is included in the groups targeted for indexation. What I am saying is not speculation. This has been put into practice in the latest decrees.

[YERKIR] Thank you.

Editorial Views 'Alternatives' to Ter-Petrosyan

944K0707A Yerevan GOLOS ARMENII in Russian
21 Dec 93 p 1

[Article by Narek Mesropyan under the heading "Tight Spot": "There Is No Alternative! Has There Ever Been?"]

[Text] We are, for all that, an amazing people. We were constantly complaining that the factor of the absence of statehood had over many centuries so strongly influenced our minds that we harbored toward all authorities, if not a scornful, then at least not exactly a respectful, attitude. Gevorg Emin once wrote a poem on this subject: You need to operate with care in our parts, he said, because each Armenian is a tsar. Not potential. In the literal sense. He meant, possibly, our historical past, when there were always too many pretenders for the royal throne, and their number would grow with menacing speed.

And so we lived, lived, and finally lived to see the day when there are once again very many potential tsars, but the social consciousness sees just one on the throne.

At all street corners the talk is the same.

"Yes, Levon Ter-Petrosyan has not justified the trust. But who, pray, could be put in his place?"

And after an agonizing search and mental thumbing through of all the possible candidates, the conclusion is: There is no alternative!

To explain this phenomenon by poverty of intellect and a servile devotion to a created idol and the traces of the totalitarian consciousness is to say nothing, even if the older generation of those alive today, which sobbed bitterly the day Stalin died, is, of course, very directly related to all these phenomena of social behavior. Nonetheless, even they, who were once capable of thinking in all seriousness of personal assistance to the revolutionary movement of the peoples of Africa, could not be lured into a revolution now.

And, then, what kind of revolution or radical transformations or restoration of social justice could be dreamed of by a people, 70 percent of whom plainly state, as a sociological survey showed, their desire to leave their homeland? And people should not be reprimanded for a

lack of patriotic spirit here. Armenians are leaving not Armenia but Levon Ter-Petrosyan and his hapless team, who have made the blessed motherland a segment of the seventh circle of hell. Reproaching the emigres would mean antedating a curse on ancestors who in the past abandoned Ani, which was sold, incidentally, initially to the Byzantines, and then, to the Seljuks.

Of what alternative could a people which, if they do not steal and do not profiteer, have earnings equal to the cost of two eggs be thinking? And as for a search for the truth, when the voracious survival instinct has begun to speak at the top of its voice?

Our mentality is such that we seek a possible alternative merely among those who have had or who now have at least some relationship to power. The earlier ones are out of the question: If there are, indeed, potential saviors among them, they are so thoroughly concealed that scraping away the camouflage would take too much time, which, incidentally, neither we nor they have. The president is dispatching the present ones, however, with savage economy: Four premiers in less than three years are obvious testimony to this. Not to mention all the others who come and go, but who never mature to the level of real alternative to the president. And real power, meanwhile, is concentrated in the hands of people who would never ascend to the highest rung of the state hierarchy other than by way of a military or police coup. And the more the popular wave undermines their reputation, the dearer they become to the president's heart.

There is nothing new in the leader's attitude toward his immediate entourage here, of course. All has been well known, unfortunately, since ancient times, in which our country has experts enough. As a result an ideology of futility, which is harmful for all except those who are assiduously feeding this ideology by their actions, is engendered. Thanks to them, we have had no alternative in any period of our life, virtually. I shall not list by name all the former leaders of Armenia in past decades but the older generation would, most likely, confirm that not one of them formerly was, seemingly, an alternative, but as soon as a new one appeared, the heavens did not open and the grass continued to grow, and if there was no bread in the stores, it was only for several days.

There is, however we all may be fooled in this connection, an alternative, even when there is no choice.

Ineffectiveness of Government, Parliament Scored

944K0707B Yerevan GOLOS ARMENII in Russian
21 Dec 93 p 1

[Unattributed article under the heading: "As GOLOS ARMENII Sees It": "'Splendor' and Misery of Bagratyan's Cabinet"]

[Text] According to all calculations, it transpires that the inhabitants of Armenia will shortly consist of Nakharars [feudal lords] alone. And by no means because their number will be increased and Nakhararism will emerge

by subterranean passageway, say. The number of top officials of the state will not change. It is simply that no one, aside from them, wants to live in this country. Because, as has become clear following the recent parliamentary debate, they alone in Armenia have a good life, and they will yield this fine life of theirs to no one for anything. It is ordained for all the rest under these conditions that they either let go of their own volition or clear off home.

In terms of the growth of somberness of the forecasts we have, it should be noted, broken all world records. A year ago it seemed that a million people could at the very least live on this land. Now we ourselves are standing amazed at our naivete of last year. And not only us. Everyone all around is talking about this, and it is only a few Nakharar ministers who disagree with this opinion. It is they who will continue to live here, consequently. If they remain ministers, of course.

The absurdity of such an idea should not come as any surprise. People capable of being surprised in this way are hardly to be found because our society has lost this capacity also. Being surprised means displaying emotions. We, however, are for the most part unimputable. Except, of course, those who with risible friskiness continue to cling to power.

In having ensured by hook or by crook that all ministers without exception speak at the parliamentary lectern, Speaker Ararktsyan did them a bad turn, I believe. The public at large, to whom they are virtually unknown, suddenly gagged on such a powerful stream of unprofessionalism, impudent complacency, dismissive attitude toward the troubles of their compatriots, and ability to unblushingly lie, blackmail, intimidate.... The impetuosity of this step was obvious also from its results: The Nakharars, summoned to the attack, by no means dispelled the oppressive impression remaining following the speeches of representatives of the opposition but intensified it even more. Not acknowledging even a part of the gravity of what they have wrought, the gentlemen of state have become professional trouble-bearers not only in the eyes of their political opponents but of all of society also.

Throughout the civilized world just one thing is required of parliament—the timely adoption of laws and efficient supervision of their fulfillment. Our members of parliament, however, are being set by the government, in the person of its ministers, the task of procuring gasoline, speeding up bank transactions, effecting barter deals, and, generally, switching over entirely to the spheres of activity for whose malfunction-free realization ministers are supposed to exist. And since the deputies are not doing this, they are not, consequently, entitled to criticize those who are strenuously creating the appearance of this “doing.”

The habit of constantly erecting Potemkin villages is becoming second nature even in the most critical situations. Ministers just about mouthed from the parliamentary platform the essentially primitive truth: While you,

deputies, are here making speeches and forcing us to listen to them, inflation at the markets continues its victorious progression. Have done as quickly as possible and let us go, get down to business, and save the nation.

And this is being said to a hall that is constantly protesting this influx of members of the government into parliament and demanding an end to the stream of monotonous maxims of the holders of high office. After all, ministers had sufficient time to discharge their direct duties before the sitting of parliament! But here it was ascertained that it was these two tense parliamentary days that were the cause of all the misfortunes that have come crashing down on our heads!

Bagratyan led out into the field of battle his entire host in the manifest hope of winning. He did so at the price of a demonstration of the “splendor” and misery of the cabinet he heads. Whether he won or not is another matter. The main thing is that the population of the republic is the loser.

Government, Parliament Efforts To Deal With Social, Economic Crisis Termed ‘Farce’

944K0709A Yerevan GOLOS ARMENII in Russian
17 Dec 93 p 2

[Article by Marina Grigoryan under the rubric “Parliament”: “By Bread Alone.... The State Is Not in a Position To Provide Anything Else For Us”]

[Text] A parliamentary discussion of the outcome of the monetary reform, and in essence—of the catastrophic socioeconomic situation existing in Armenia, which is being held this week, leaves a painful impression. It appears that all sides are doing what they are supposed to do: the deputies criticize, the government defends itself, the president tries to lay the emphases he needs, but the feeling of being at an impasse is growing stronger. The issue of the government's resignation is not even being raised because everyone understands that this is the easiest way out, but not by far one that solves the problem. Only on rare, very rare occasions is something constructive proposed in individual presentations—a majority of speakers do not go beyond noting the current crisis. Perhaps this is the most depressing of all.

To be sure, our government is still not short on optimism. Just as before, it has no intention of acknowledging its mistakes. At any rate, Minister of the Economy Armen Yegiazaryan stated that all the actions of the cabinet have been correct on the whole. He was also the one to rebuke the deputies for failing to appreciate how critical a situation is in which it is necessary to make decisions literally within two to three days. However, the minister is clearly not willing to talk about who brought the situation to this level of absurdity. In his opinion, now is not the time to respond to the question of who is to blame: We will sort that out later.

The government views a granting of additional powers to it for a period of six months as a way out of this

situation. A number of draft decisions aimed at stabilizing the dram have been submitted to the parliament. In particular, they envision criminal liability for trading in foreign exchange, for refusing to sell goods for drams, and for selling goods at prices higher than those envisioned by the state, the subordination of the activities of the Central Bank to the government, etc. Besides, A. Yegiazaryan assured us that there is a program of actions that will bring about stabilization in the sphere of monetary circulation. The minister did not wish to dwell on what kind of program that is: "We know what needs to be done, and we will do it." The deputies quite reasonably answered that during the entire year the parliament has given the "go-ahead" to all the government's initiatives, and it is clear to everyone what the outcome has been. Can a government that has brought the country to the brink of an abyss be trusted?

In his brilliant lecture on Monday, Prime Minister G. Bagratyan confidently diagnosed events: There is hyperinflation. No, the deputies objected, this is an obvious collapse. The ministers said that they were doing everything possible. The deputies hurled rebukes at them: No, you are professionally incompetent. And so on ad infinitum. Frankly, despite the sharply critical arrows, this entire exchange at times smacked of an undisguised farce in which everyone tries to pretend that they are acting seriously, but clearly perceive themselves that they are doing something very different from what they should be doing. Incidentally, this has been the case not only with the latest discussion. Whenever a debate on the socioeconomic situation is underway, it acquires a truly farcical character. The poorly disguised cynicism of some and the perception of their own helplessness on the part of others cannot evoke anything but laughter through tears. After all, when the president himself says, virtually with pride, that he does provide bread for the people, no commentary is required. This suggests just one conclusion: that these people deserve nothing but bread—they deserve neither heat nor light nor other foodstuffs, in a word, nothing of what has long been a given for the rest of the world at the end of the 20th century. If they live, it means that it is possible to live that way—these are also the words of the president, who admitted almost a month ago that it could not get any worse. But it has, has it not?

If we digress from all these sad reflections and try to understand what is behind the week-long parliamentary debate, approximately the following will emerge. It is clear that the issue of responsibility remains the global one: The search for yet another scapegoat is on. Until recently, the government (before Bagratyan) was quite suitable for this role, whereas this time the president has apparently decided to rescue the government. Why turn on "our own men" when the "panel of three" who made decisions with regard to the monetary reform can be saddled with everything? (It is interesting that, according to confidential information, only one vote stood in the way of "sentencing" the current cabinet at one of the latest meetings of the board of the Armenian National

Movement). It was for a reason that the deputies persistently tried to learn whether there had been differences between the state commission and the government. The members of the "panel of three" answered this question quite evasively, whereas A. Yegiazaryan in essence gave a clear-cut answer: The government has nothing to do with the monetary reform. A fine how do you do! The state commission is to blame for everything, and the government is not involved. Who created the "panel of three?" The parliament. So, hold the panel accountable. Do you recall that a representative of the parliament, Tigran Sarkisyan, was precisely the one to make the most vigorous presentations during the days of the monetary reform and immediately thereafter? He sort of assumed the role of leader. So, this deputy took virtually no part in the debate that was held.

Here is one more argument in favor of the suggestion that the government is trying to distance itself from the monetary reform in every way possible: Why is the issue of subordinating the Central Bank to the Council of Ministers being raised right now rather than before the introduction of the national currency? If, as Minister of Finance L. Barkhudaryan assures us, the government was ready to take this step, why did it not assume control over the process, agreeing instead to establish the state commission? So that it would be possible to blame it for everything later?

After all, judging by the presentations of the members of the government, a sharp loss of the value of the dram and, as a consequence, a price stalemate had been predetermined ahead of time. As it turns out, all credit for Armenia has been frozen since November. Not a single international financial organization, not a single country which has been approached for help undertook to ensure the stabilization fund of the Armenian national currency. It turns out, as Kh. Arutyunyan observed, that the government ensured merely the technical aspect of the endeavor—the exchange of currency within a record short period of time which, incidentally, greatly shattered the nerves of the already worn-down population. It is hard to disagree with Kh. Arutyunyan on something else, too: the situation is socially explosive, and emergency measures are needed which originate precisely with the president. Meanwhile, the government coolly states that there is hyperinflation, and demands additional powers in order to stabilize the situation in six months(!) There is a wise Armenian saying about this: Either the donkey or his master will die by then.

I am far from thinking that the prime minister and his team alone are to blame for everything. Of course, their blame, as well as that of the "panel of three," for the specific present-day situation is indisputable. However, who is to blame for the executive authorities being given carte-blanche during at least the last two years? Who has ensured the virtually complete lack of control over the operation of the government? Who has dealt absolutely all the cards to the president, while at the same time not daring to openly hold anybody accountable? During the more than three years of its existence the Armenian

parliament has reduced itself to the level of the most helpless and powerless structure which allows anything at all to be done to it. It was no accident that Deputy S. Zolyan said directly that the parliament presently performs the functions of merely the fourth branch of power, the press, because it is allowed to say all it wants, but nobody pays any attention to it.

However, the crisis of absolutely all branches of power is apparent. It appears that everybody has a clear notion as far as the parliament and the government are concerned (to say nothing about judicial power). However, will the president succeed in coming out wearing white gloves this time, too? To be sure, the stains are quite easy to see, but there is no dearth of experience in getting them out.

Defense Minister Views Career, Karabakh Conflict

944K0712A Moscow SOBESEDNIK in Russian
No 6, Feb 94 p 4

[Interview with Serzh Sarkisyan, minister of defense of the Republic of Armenia, by Mikhail Serdyukov in Yerevan; date not given: "Minister of Defense of the Republic of Armenia Serzh Sarkisyan: 'Why Do We, Lieutenant, Need Foreign Land?': When I Turn My Ardor to My Family, It Means the War Has Ended..."]

[Text] ...And it seemed that this happened yesterday. There were more bullets than people on the streets of blockaded Stepanakert. Serzh said to me: "We are being shot at like in a shooting gallery. But all this will end soon. We will take Shusha (the city fort, a former health resort on a high hill overlooking Stepanakert—Mikhail Serdyukov)."

Shusha seemed to be and was inaccessible. There was incessant firing from there: cannons, "barrages," and when the snipers aimed, it was always for the forehead. Only an out-and-out Suvorov or a totally mad descendant would dare to assault this monster. Serzh is a person without extremes. He just established an army of self-defense forces of Artsakh. He is a philologist.

They took Shusha. And a lot more. They moved military operations beyond the boundaries of Nagorno-Karabakh. Serzhik became a national hero. Researchers will also study the phenomenon of this commander. But for the present...

For the present, there is a new blockade. Of all Armenia already. An economic blockade, and it is the most merciless. There is no light or gas, and there is little to eat. The army is shattered. The president of the republic invites Serzh Sarkisyan to the post of minister of defense of Armenia. He is surprised, but he leaves his family in Stepanakert and goes to frozen Yerevan. This is where we met.

[Serdyukov] I have already been warned: It is the practice in the higher echelons of Armenian authority to use

strictly official forms of address: "Mr. President, Mr. Minister." How should I address you?

[Sarkisyan] As an old friend.

[Serdyukov] Thank you, Serzhik. What kind of songs is the minister of defense singing today?

[Sarkisyan] I am still a long way off from a personal performance. But I like to listen to the White Guard's songs. Malinin's, for example.

[Serdyukov] He sings sincerely: "Why do we, lieutenant, need foreign land?" If I readdress this question to you—will you be able to answer it?

[Sarkisyan] Go ahead and ask: Why did you seize Azerbaijani territory. In autumn of 1992 we were able to stop the Azerbaijani Army and got an opportunity to keep Nagorno-Karabakh. But how was this to be done? After all, Stepanakert was being battered by cannon from the well-known Agdam—point-blank. You even took a picture of a little girl with a broken leg—have you forgotten?

[Serdyukov] Can you really forget such a thing? Do you know how she is living now?

[Sarkisyan] She is alive. But others died. Azerbaijani Army groups that were concentrated on our borders continued to hit cities and villages. After all, every sector of the republic was fired on from there. And that could have gone on endlessly. It is impossible to compare Azerbaijan's military potential in any way even with that of Armenia, not to mention the NKR [Nagorno-Karabakh Republic]. There are not many Karabakh residents. And there was only one solution: Only through bravery and attack could we demoralize the huge Azerbaijani force. We circulated the disinformation that allegedly we were appeased. We said that we expected the next attack of the Azerbaijani Army in the spring of 1993. And we gave assurances: They will not attack us in the winter and, of course, everyone could ease up...

[Serdyukov] And did they take the bait?

[Sarkisyan] Yes. In January of 1993 the Azerbaijanis began a powerful offensive in the firm conviction that we were not ready to repel them. Within two weeks they were completely exhausted. We launched a counteroffensive. The aim was to straighten out the front. This required going outside the NKR's boundaries.

[Serdyukov] You really got outside them very well! You captured up to one-fifth of the entire Republic of Azerbaijan. You were suddenly transformed from defenders of your own land to aggressors.

[Sarkisyan] Of course, for Azerbaijan, this is aggression. Although there is a nuance: After all, they do not recognize the NKR as an independent state, and continue to consider the Karabakh people as their subjects. So, what kind of aggression is this? Our people against our people. I will say frankly: We do not need their land. We were simply ensuring the safety of our families. And

supplying the army with captured weapons. Furthermore, Karabakh has been completely destroyed and burned down. Three years of war is no joke. But with what does one rebuild? At whose expense? There is nothing in Armenia, and the mice are dying from hunger in empty cornbins. There was only one solution: Get the building materials in Azerbaijan.

[Serdyukov] In Azerbaijan they think they are fighting against Armenia.

[Sarkisyan] They can be understood. It is embarrassing to admit that, having such a powerful military potential, they cannot achieve victory over tiny Karabakh. Although I know: They clearly realize this among themselves. They do not want to admit publicly in Baku that they are at war with Karabakh. After all, they have been unable up to now to take even one Armenian soldier captive. I met with the minister of defense of Azerbaijan in Tbilisi recently at the initiative of Russian General Reut. He tried to prove to me that regular subunits of the Armenian Army were participating in the war. He showed me the identity papers of a captured soldier with the inscription "Volunteer." A passport with the registration is Yerevan. I explained to him simply, in the Russian language—in the presence of Reut: We have many prisoners, both Russian and Ukrainian, but I am not saying that Karabakh is at war with Russia or with Ukraine.

[Serdyukov] Does this mean that you did not succeed in coming closer to an agreement with your Azerbaijani colleague?

[Sarkisyan] We did not achieve anything. This meeting was an initiative of the Russian general. His personal initiative. Without any authority from Moscow. As he said: "He has great personal desire for this war to end more quickly."

[Serdyukov] But what about you, do you have another desire?

[Sarkisyan] God forbid! And the Azerbaijan minister of defense wants the same.

[Serdyukov] A paradox: Everyone wants peace, and the carnage continues.

[Sarkisyan] The trouble is that an end to the war means different things for us and for them. For Karabakh, the end of the war is recognition of independence. But for Azerbaijan, as their minister of defense put it, "the return of all of the administrative units, including Karabakh as well..."

[Serdyukov] But this is a closed circle! With the arrival of Geydar Aliyev, a cautious person, the hope has emerged in you personally that you will finally come to an agreement?

[Sarkisyan] When he came to power I did have this kind of hope. Alas, it has now been dispelled. Under Aliyev,

Azerbaijan ended up completely militarized. Everything there is now absolutely subordinated to war. The people, the economy.

[Serdyukov] Are there really no prospects?

[Sarkisyan] I do not see any, and there is already no choice now even for Aliyev. Because many people perished during his time. He has to have at least some kind of justification for this. I am confident that if in a month Azerbaijan loses a million or two million soldiers, but at the same time returns some part of their territory, no one will begin to reproach Aliyev. The sacrifices will be justified. But if he does not succeed in achieving anything, he will be held responsible, as others were.

[Serdyukov] What millions are you talking about? What is this, world war?

[Sarkisyan] But already today almost twice as many have been killed in Azerbaijan as in the whole war in Afghanistan. According to the most conservative figures, 25,000-26,000! And in Aliyev's opinion, 3,500 persons are in captivity in Karabakh, 800—in Armenia.

[Serdyukov] But how many in fact?

[Sarkisyan] We do not have that many prisoners. He is confusing them with those who are missing in action. But we even earlier asked to gather up the bodies. However, the Azerbaijanis did not do this. Why? Well, so that the people would have no idea of the extent of their own losses. And they are not gathering up the bodies now. Although Karabakh is ready to grant this opportunity at any time.

[Serdyukov] How big are Armenia's losses?

[Sarkisyan] One of ours against 12 Azerbaijanis.

[Serdyukov] Serzhik, what about a campaign against Baku? While sitting at one time at a Karabakh table I also had occasion to hear this outlook from the mouths of soldiers of the self-defense army.

[Sarkisyan] This was a joke, very likely, a drunken one. You understand, Azerbaijan has an objective, and after achieving it, it will conclude the war. Enter Stepanakert—that is all. Period! Karabakh does not have an objective at present. It has one task: to stand at the present line and repel attacks. There is no point now for a Karabakh soldier to reach so that the war will end. We do not need Baku, nor on the whole even one centimeter of land. And the Karabakhs will return all the territory of Azerbaijan without vacillation as soon as they receive guarantees that they will not shoot in the direction of their motherland.

[Serdyukov] What kind of guarantees are you talking about?

[Sarkisyan] Recognizing the Karabakh Republic. The introduction of peacekeeping forces in the area of conflict. We cannot believe in words anymore. After all,

even in the Azerbaijan system Karabakh was autonomous and had some guarantees according to the USSR Constitution.

[Serdyukov] I have already been shivering with cold with everybody in Armenia for a week. I met quite a few Yerevan people who curse the war to the hilt. They are convinced that it is precisely Karabakh that brought them to complete impoverishment, chronic freezing, and a life of semistarvation. Do you not consider the possibility of exacerbating Armenian-Karabakh relations?

[Sarkisyan] Now is not the time for division. Only unity will save us today. And the leadership of Armenia declared more than once that it agrees to any decisions at which the two belligerents arrive. There would be peace.

[Serdyukov] Will it not become boring for you to live in peace and quiet? What will you occupy yourself with, as minister of defense? Or as philologist Serzhik Sarkisyan?

[Sarkisyan] I have not thought about this. But I know one thing: The first day of peace will be the happiest day of my life. But as a philologist, perhaps I have lost many professional qualities.

[Serdyukov] What is your specialization?

[Sarkisyan] The Armenian language and literature. I graduated from the University of Yerevan and returned home—you know how closely I was watched in Karabakh by the Azerbaijani leaders. To them, a person who received his education in Armenia and had some ideas and national habits was considered a social outcast. But I was invited to the city party committee of the Komsomol [All-Union Leninist Communist Youth League], and I became the supervisor of the sports and mass-defense branch. Then I became the secretary. There I really felt the pressure. All "lucrative" positions went only to one's own. They spat on the Armenian language. It was forbidden to write and speak it. But after all, Armenians living in the NKAO [Nagorno-Karabakh Autonomous Oblast] comprised 70 percent of the total population.

[Serdyukov] Peace is as good a time as any for language. But what will you do with the uniform of a military minister?

[Sarkisyan] Well, I do not have any kind of uniform. Remember the old camouflage uniform I wore in Karabakh? It is in my wardrobe. This is my entire military dress.

[Serdyukov] But what about the gold shoulderboards? After all, the minister has some kind of rank?

[Sarkisyan] Captain of the Reserve. But this goes back to peaceful times long ago. What am I supposed to do, confer a rank upon myself? How could I then look into the eyes of the professional military? After the capture of Shusha, while still in Karabakh, they wanted to promote me to general—I refused. I consider myself a civilian to this day. But I became military, even if the minister, out

of necessity. On the other hand, when I meet with ministers of defense of other states (they are all marshals), I am not intimidated. I am dressed in civilian clothes, and I converse with them as an equal. Military rank obligates one to something. And then I am not a particular expert in military commands. I show up among the troops in a regular suit.

[Serdyukov] But how do you command... without commands?

[Sarkisyan] My favorite command is "forward!" Everyone knows this.

[Serdyukov] Is this when, pistol in hand, you lead soldiers in an attack?

[Sarkisyan] That also has happened. But I was not minister of defense of Armenia at the time.

[Serdyukov] Were there many military in your family?

[Sarkisyan] Not one. A grandfather was shot in 1937. He was a shepherd. My father was a blacksmith since the age of 13. He has been on pension a long time, but until now he has been in the Stepanakert defense rayon repairing weapons. Mama has worked all her life at the silk combine. In Nagorno-Karabakh. My wife, a music teacher, and two of my daughters are there now.

[Serdyukov] Why do you not take them to Yerevan?

[Sarkisyan] It is warmer there. And although the bombing has started again, both daughters are going to school. No one will be going to school in Armenia before spring.

[Serdyukov] But the territory of Armenia is also being fired on now. We already have the first victims. Is yet another war starting?

[Sarkisyan] We could respond to these provocations with power strikes. But, after all, this will really lead to a wide-scale war. I see two reasons here. With these incidents, the Azerbaijanis, thinking that our army is fighting in Karabakh, are allegedly trying to draw off some of our forces. And to show to the whole world that they are fighting Armenia, but not Karabakh. We are avoiding such a war in every possible way. Although I should put our aircraft into the air, and a strike from which they will not recover quickly will be delivered.

[Serdyukov] Are the pilots, excuse the stupid question, Russian?

[Sarkisyan] You are being insulting. They are all Armenian.

[Serdyukov] Incidentally, nothing has been heard for a long time about the pilots who were knocked down in the Stepanakert skies—a Russian and a Ukrainian. I met with one of them, pilot Bilichenko, two years ago in prison. He was convinced he would be shot.

[Sarkisyan] Of course, they are criminals. But I think that their life should be spared. But this is not their war, why did they get into it?

[Serdyukov] And are the mujahidin fighting in Karabakh now?

[Sarkisyan] Afghanistan has not admitted this fact officially. I think they are right. After all, a mujahidin is not a soldier of the Afghan Army. They are ordinary mercenaries.

[Serdyukov] Have you succeeded in taking any of them captive?

[Sarkisyan] Not for the time being. They fight in the rear. They stand as defensive detachments, and they shoot retreating Azerbaijani soldiers. But there is a captive Turkish officer. I know for a certainty: There are many Russian, Ukrainian, and Belarusian officers fighting.

[Serdyukov] Do you have enough such volunteers on your part?

[Sarkisyan] We do not have mujahidin, believe me.

[Serdyukov] Tell me, please, is your army helping Karabakh with weapons?

[Sarkisyan] We acquired some things for them in third countries, in the West. But this is meager in comparison with what the Azerbaijanis are losing themselves and what the Karabakhs acquire after successful strikes of the NKR defense army. This is on the order of 120 tanks, powerful artillery, and whole depots of infantry weapons and ammunition. Even the Armenian Army does not have such stores of weapons as there are now in Karabakh.

[Serdyukov] But where did Azerbaijan get so many weapons?

[Sarkisyan] They do not have to go far. A hundred tanks were acquired recently in Ukraine. Also aircraft and ammunition. Incidentally, they do not deny this there. They justify it by the difficult economic situation. In addition, according to the information of prisoners and captured materiel, it can be said that Azerbaijan acquired many new T-72 tanks. Where? It is obvious to us: Russia. For example, in Nikolayev they received BMP-2's [infantry combat vehicle] not so long ago. Ammunition was delivered from Tula.

[Serdyukov] Does our Grachev deny all this?

[Sarkisyan] Of course. The entire Russian leadership, civilian and military, flatly refuse to admit their military assistance to Azerbaijan. It is just a pity that your country does not take one thing into account: Our enemy is acquiring weapons not only from the countries of the near abroad. In China—assault rifles. In the Czech

Republic—machine guns and grenade launchers produced in 1993. All this firepower falls on tiny Karabakh. But how is one to understand this from the human standpoint?

[Serdyukov] Well, fine, but did you not have a conversation in this regard with Grachev himself. By telephone, but man-to-man?

[Sarkisyan] Our president engages in this. But I think that if there was a conversation with Grachev, it would not have changed very much. The chaos that exists in the arms trade, in my opinion, cannot even be controlled by the minister of defense of Russia.

[Serdyukov] If you had the opportunity to talk with our president, what would you say to him?

[Sarkisyan] I want to request one thing of Yeltsin and of all Russians: Act in such a way that our Karabakh does not perish. You are powerful. Help us.

[Serdyukov] I know that general mobilization was declared in Azerbaijan a long time ago. What is the case in this respect in Armenia?

[Sarkisyan] The minister of defense does not need this. For the time being. But it is difficult for me to guess what will occur tomorrow.

[Serdyukov] Have you gotten very tired in recent years? Do you have a desire to lie in bed for a few days and at least once to sleep as much as you want?

[Sarkisyan] I would not refuse, of course. I do not get more than five hours of sleep a day. But then I think of the boys who are fighting today in the mountains in 40 degrees of frost. For two-three months in the forward area...

[Serdyukov] What is your biggest misfortune in life—what is it associated with?

[Sarkisyan] I have lost so many friends in recent years. These were fellows who deserved to live. The sadness is not to meet with them anymore on this earth.

[Serdyukov] Serzhik, for these years of the war, your chest should be glistening with medals.

[Sarkisyan] But there are no combat decorations in Armenia. There are in Karabakh: combat crosses of the first and second degree. Azerbaijan has the title of national hero. They are fine fellows.

[Serdyukov] And what cross do you have?

[Sarkisyan] Imagine, I have none.

[Serdyukov] And if you had some free time, what would you engage in?

[Sarkisyan] I would go hunting in our Karabakh forests. There is no more beautiful place on earth. With Robert Kocharyan, my boyhood friend. He shoots very accurately. With a rifle.

[Serdyukov] Better than you?

[Sarkisyan] We have not competed for a long time.

[Serdyukov] Did you have occasion to shoot in the war?

[Sarkisyan] Rarely—but it happened.

[Serdyukov] Do you get a chance to read books?

[Sarkisyan] To my great regret, no.

[Serdyukov] And you have probably not seen your family for a long time?

[Sarkisyan] I have a real Armenian family. The husband commands in it. I like this most of all.

[Serdyukov] Do you really have little to command at work?

[Sarkisyan] Too much.

[Serdyukov] But what is the matter?

[Sarkisyan] The fact that when I turn my ardor to my family, it means the war has ended.

Military Call-Up Results Announced

944K0702A Yerevan RESPUBLIKA ARMENIYA
in Russian 17 Dec 93 p 1

[Article by Vagram Stepanyan: "Armenia Will Have a Full-Strength Army by Spring"]

[Text] [words illegible] successfully. This statement was heard at a briefing of state minister of the Republic of Armenia and Chairman of the Republic Call-Up Commission Vazgen Sarkisyan, at which Major General Artur Arutyunyan, chief of the republic's Main Mobilization Administration, was also present.

According to the state minister's report, the republic call-up has been fulfilled by 100.16 percent. These are not simply figures—a real person stands behind each of them. For the first time in the past four years the call-up was organized and conducted on the exterritorial principle, i.e., none of the conscripts, not counting individual exceptions, will serve in the places of his immediate [words illegible]. However, as he noted, there are still regions where the call-up periods have been extended for good reason. In particular, in Gyumr and Vanadzora it will go on for another 10 days in order to bring the lacking 511 and 244 persons respectively up to strength.

Thus, speaking in military fashion, the task has been accomplished. However, the task is not limited only to a quantitative aspect. It also has a qualitative side which must be made sure of by thorough daily, and goal-directed work in the units. Otherwise, the successfully completed first stage of the campaign will prove to be a useless waste of effort, time, and funds. Actually, it is already possible today to talk about the existence of the institution of the organizing of national armed forces. Now the matter depends on the improvement of their

military training and combat readiness, as well as on the establishment of general army discipline. Incidentally, according to Mr. Sarkisyan, a number of commanders of different ranks have been relieved of duty for non-fulfillment of these requirements as well as for inability to create conditions for the psychological "assimilation" of new recruits and lack of skill in investigating their non-regulation (neustavnyy) interrelations, which has led to certain accidents. Some 147 deserters are already on the run from this recruitment through the fault of such apologies for commanders. Criminal punishments will be applied to them.

Basically the call-up went without hindrance and in an organized manner.

At the same time, as the briefing participants noted, there are still parents who suffer from the "defect" of protecting beloved children from service in the army in every way possible. Such psychology is characteristic also of refugees from Azerbaijan and the Yezids who constitute a national minority in the republic. Nevertheless, the assurance was expressed that as a result of the appropriate actions this situation will be set right by spring, i.e., by the next call-up.

Answering the journalists' questions, the speakers reported about the intention to conduct regular inspections in military units which will make it possible to eliminate shortcomings and to resolve various problems. Today, in the words of the state minister, they have no problems with food and clothing. There exists only a problem with barracks. The fact is that in the southern part of the republic there are none at all and one must build new ones or [word illegible] old ones. [word illegible] important task one can [word illegible], the latest news [word illegible] also in the creation of higher educational institutions which will permit replenishment of the ranks of the national army with highly educated and skilled officers.

In conclusion Mr. Sarkisyan expressed gratitude to all the services that participated in the call-up campaign: the rayon military commissariats, internal affairs organs, military police personnel, and local authorities as well as the journalists present for assistance in the successful completion of the autumn call-up.

Russian-Armenian Petroleum Processing Plant Delayed

944K0702B Yerevan RESPUBLIKA ARMENIYA
in Russian 10 Dec 93 p 2

[Article by Gayane Melikyan, NOYAN TAPAN correspondent: "So Will We Go to Batumi?; Petroleum Processing in Armenia is Threatened"]

[Text] Information: By a directive of the Government of the Republic of Armenia of 24 May 1993 it was decided to create a petroleum processing complex on the base of the Yerevan Polivinilatsetat Plant. A contract was concluded

between the "MOST" association for business cooperation with foreign countries and the Polivinilatsetat Plant on 28 May 1993. It was based on the "General Agreement on Joint Production-Commercial and Investment Activity," concluded between the Russian Federation Chamber of Commerce and Industry, the Russian Federation Committee on the Chemical and Petrochemical Industry, and the Government of the Republic of Armenia.

The need to create a petroleum processing production unit in Armenia is conditioned by its acute demand for heating and motor fuel, as well as by the possibility of partially supplying the republic's chemical complex with needed chemicals. Liquefied gas, gasoline fraction, aviation kerosene, diesel fuel, and fuel oil (mazut) will be obtained, as well as pentane-hexane (the basic raw material for the production of acetic acid), which will make it possible for Nairit to produce acetic acid, which is used at the Polivinilatsetat Plant in the production of vinyl acetate. The utilization of crude oil with a low sulphur content from Western Siberia is envisaged in the initial stage, the movement of which over the Novosibirsk-Batumi-Yerevan route is simpler and more economical than the products of its processing, since crude oil, unlike mazut, does not freeze under low temperature conditions and is far smaller in volume than the volume of the components obtained after processing.

A group of specialists invited by the "MOST" association for familiarization with the state of affairs on the spot was dispatched to the Polivinilatsetat Plant for the purpose of creating the petroleum processing complex. The conducting of research work and the execution of orders for the manufacture of the equipment required is also called for. At the request of the association the basic equipment manufacturing plants have already started to work on the requisite equipment. The association has given advanced payments for the preliminary stages of operations to certain plants for the manufacture of the necessary equipment and has also come to an agreement with a number of CIS petroleum processing plants about giving the Polivinilatsetat Plant new equipment. Part of it was ready for shipment to Armenia already in the beginning of November. A good deal has been done in the last six months, it seems, in the direction of resolving this question which is vitally important for Armenia.

However, we are forced to note that up to this day, despite the numerous appeals and telegrams on the part of the "MOST" association, the Armenian side has not paid for the work performed. We have tried to get an explanation concerning this from the director of the Polivinilatsetat Plant and to familiarize ourselves with the situation on the spot. Director M. Davtyan has kindly given us detailed information on the course of the conduct of operations. Thus, the organization of petroleum processing at the Polivinilatsetat Plant is very beneficial as regards the saving of funds, since there are unutilized fixed capital and engineering service lines on the plant's territory, the plant has skilled engineering-technical personnel and workers and, what is the main thing, the heating fuel will be used by the nearby Yerevan

Heat and Electric Power Station and the acetic acid raw material by Nairit which is located in the vicinity.

Taking all this into consideration, the specialists have concluded that all costs related to the organization of this production unit would be recovered in four months and construction work would be confined to 12 months all told. As far as the course of the operations is concerned, the director noted with regret that already over several months directives concerning the apportionment of 800 million to the "MOST" organization's account from the 1.2 billion rubles in credits granted to the Polivinilatsetat Plant have passed from the prime minister to various state ministers, the ministries of economics, industry, and finance and to the State Bank, to no effect however.

Familiarity with the documents and directives leaves no room for doubt that all these officials well realize the urgency of the question and, it seems, are interested in its prompt solution. However, the fact is that the question has not been resolved in months. This loss of time will cost dearly and, undoubtedly, will affect the future of our republic, which is in a desperate energy situation. The Russian Federation has warned that installation of equipment in the already prepared sections of the plant before the coming of cold weather will be imperiled because of non-payment for the operations of the preceding stage by the Armenian side. The dragging-out of technological operations in 1993 not only will lead to an appreciable increase in the cost of the project but the time periods for the testing and operation of the plant also will have to be postponed to the beginning of the winter of 1994-95.

Armenian Migration Problems Focus of Academic Roundtable

944K0702C Yerevan RESPUBLIKA ARMENIYA
in Russian 10 Dec 93 p 2

[Armenpress report: "People Need Normal Conditions"]

[Text] A "roundtable" in the House of Journalists organized by the "Armenia-Russia" and "Ayk" societies and the Journalists Union of the Republic of Armenia was devoted to problems of the migration of the population from the country.

The chairman of the "Armenia-Russia" society, Professor of Philology Vladimir Grigoryan, who opened the meeting, emphasized the importance of the problem under discussion. The ultimate goal of the "roundtable," he said, is the development and submission of recommendations to the republic's government.

The scientists who spoke subsequently—sociologists, economists, demographers—were almost unanimous in the main point: the problem of migration should be examined and monitored at the state level.

As one should have anticipated, opinions differed in the particulars. Thus, the director of the Sociological Research Center, Gevorg Poghosyan, who cited a figure

for those annually leaving the Republic of Armenia (23,000-25,000—this is only those stricken from residence permit registration and how many leave while retaining it is not known precisely), focused the attention of his colleagues on the "brain" drain from the country. That is why it is necessary to create conditions for full-blooded work in the motherland for national intellectuals. The fact is that there are scientists and even entire institutes of the European level in Armenia. The diaspora and friendly developed states can help in this matter; however, not on the crudely "humanitarian" level being done, for example, in Bangladesh and Somalia.

The prominent Armenian sociologist Agaron Adibekyan offered his vision of the problem: study the mental state of the migrants, who, in his view, are seized with a fear of the unknown based upon an information vacuum. Explanatory "therapy" is needed in order for people to know what is waiting for them in the future and how to adjust to difficulties and to find a way out of the negative realities on the spot.

Doctor of Economic Sciences Suren Karapetyan, who considers that the outflow of population from the Republic of Armenia is a good thing under present conditions, expressed a contrary point of view. As an argument he referred to the objective capability of Armenia's agriculture to feed its population of almost four million only for... two months a year. And even industry is not capable of ensuring its needs under market economy conditions, as well as the employment of labor. That is why it is pointless to raise the question of hindering the outflow of the population. One needs only to selectively regulate it to retain the cadres which constitute the nation's intellectual potential.

Rafik Seyranyan, a scientific associate of the Institute of Philosophy, dwelt on the problem, dear to him, of refugees, a certain portion of whom, after a short sojourn in the motherland, have left it. In particular he noted the significance of their intellectual and labor potential for Armenia, having proposed the creation of a data bank (not a primitive questionnaire one but one more in depth) in order to utilize this considerable force for the good of the republic.

The emotional speech of Candidate of Economic Sciences Sevak Ayvazyan provoked the approval of the majority. He named the breakdown of the former union and the rejection (even if temporary) of a pro-Russian orientation as the global cause of the breakdown of life (and as a consequence—of mass migration). Having supported the idea of the creation of a governmental organ on migration-related problems, S. Ayvazyan also stated the urgency of the day-to-day ensuring of the survival of our compatriots.

An interesting thought was heard in the speech of cooperative chairman Suren Tarkhanyan, who suggested the idea of the balancing of exports and imports. Nothing

prevents Armenia from exporting work groups and services besides goods, for example, the construction brigades traditionally in demand in the CIS countries. Organization of the latter should emanate from state structures. This will relieve the republic and also will bring in a profit to the republic from abroad.

Businessmen's Union Head Accused of Embezzling State Funds

944K0741A Moscow SEGODNYA in Russian
12 Feb 94 p 5

[Article by Gamlet Matevosyan, Yerevan: "Yesterday a Presidential Candidate, Today Under Investigation"]

[Text] The Supreme Soviet of Armenia almost unanimously gave its consent to the institution of criminal proceedings against Myasnik Akopyan, president of the republic's Union of Entrepreneurs, Lessees, and Cooperative Workers. He is accused of appropriating state funds in especially large amounts.

According to the statement by Artavazd Gevorkyan, procurator-general of the Republic of Armenia, the director of the Union of Entrepreneurs, who at one time put forward his candidacy for the post of Armenia's president, through machinations and forgeries appropriated more than 34 million rubles.

The parliament's consent to the institution of criminal proceedings against Akopyan was needed in connection with the fact that he was put forward as a candidate for deputy of the Supreme Soviet.

Myasnik Akopyan is known in the republic for his extravagant escapades. Two years ago he was about to violate state monopoly on the issue of money. Akopyan intended to make his own coupons and even began to print them. According to him, the coupons were supposed to create competition for the state monetary unit (at that time the ruble) and in time even to displace it. At that time Meruzhan Mikavelyan, former chief of the Currency Administration of the republic's Ministry of Finance, called that venture a joke and a highly shady operation.

As we see, the fantasies of trickster Akopyan took him far away.

28 Million in Credits for Earthquake Reconstruction

944K0741B Moscow TRUD in Russian 15 Feb 94 p 6

[Article by Karen Mishikyan: "Six Years Have Passed, But the Wounds Have Not Healed"]

[Text] The World Bank for Reconstruction and Development will allocate 28 million dollars in credits to Armenia. They will be used for the reconstruction of cities and villages destroyed in 1988 by the catastrophic earthquake. The Association for International Development approved the plan for this work.

The republic's Ministry of Economics advised us that in one and a half years the credits granted will help to provide apartments for more than 2,000 families, which suffered from the calamity, to complete the construction of seven plants, and to improve the sanitary and epidemiological living conditions of the population of half a million, which to this day lives in small vans and temporary housing. A network of service lines and new domestic service institutions will appear.

Credits were granted on very favorable terms for 35 years.

Delegation Discusses Iranian Gas to Europe Project

944K0741C Moscow NEZAVISIMAYA GAZETA
in Russian 12 Feb 94 p 3

[Article by Armen Khanbabayan: "Possibly, Iranian Gas Will Enter Europe Through the Transcaucasus"]

[Text] A few days ago directors of the Armenian Arm-gazprom State Enterprise were in Teheran as experts in the supply of Iranian gas to Europe project. Prior to this trip representatives of the German firm Ruhrgas, as well as gas workers from France and from Iran's national gas company, visited Yerevan. In the course of all these meetings the question of the laying of a gas pipeline from Iran to Europe was examined. It is quite obvious that this question, in addition to economic, is also of political significance. Today there are only two options for the laying of a new gas pipeline: through Armenia and Azerbaijan or through Turkey's territory to Europe. Both of these projects are approximately equal in cost. However, it is clear that today the chances of both Armenia and Azerbaijan for the laying of the gas pipeline on the territory of these states are much smaller than Turkey's chances, owing to the fact that an unstable political situation exists in the region and the confrontation in Nagorno-Karabakh continues. European countries, which are very interested in getting Iranian gas, will hardly agree to the laying of this fuel artery, which is vitally important to them, through a politically unstable region. Meanwhile, for Armenia and Azerbaijan the laying of the gas pipeline from Iran to Europe would be of extremely great importance both economically and politically and would enable these countries to seriously engage in the restoration of their economy, which suffers extremely from fuel shortage.

Today the situation is as follows: During approximately one and a half years countries interested in the passage of the gas pipeline through their territory, that is, Armenia, Azerbaijan, and Turkey, will prepare a special feasibility report on behalf of their countries. The Armenian side has already begun to work in this direction. In Yerevan there is also the hope that by the time the projects are submitted for an examination by experts the problem of Nagorny Karabakh will be solved to one degree or

another and the political aspect will cease to hamper the implementation of plans for the republic's economic restoration.

Internal Affairs Minister Accuses Former Presidential Aide of Criminal Activities

944K0741D Moscow NEZAVISIMAYA GAZETA
in Russian 8 Feb 94 p 3

[Article by Armen Khanbabayan: "Minister of Internal Affairs Accuses Former National Security Adviser"]

[Text] The recent press conference of Ashot Manucharyan, former chief national security adviser to Armenia's president, which seemed like an everyday event, received an unexpected and loud continuation. We would like to recall that Manucharyan announced his intention to create a new analytic and sociopolitical structure intended to promote the settlement of the Karabakh problem. Moreover, he came out with sharp criticism against the activity of the republic's Ministry of Internal Affairs and proclaimed a categorical disagreement with the presidential edict on KGB reorganization.

Since the criticism against the Ministry of Internal Affairs was of a general nature and new analytic centers of such a trend multiply very actively in Armenia, nothing promised a political storm. However, Vano Siradegyan, the republic's minister of internal affairs, unexpectedly took up arms against Manucharyan. He held a briefing, in the course of which scandalous information was promulgated. Thus, according to the minister, it turned out that the entire activity of the former national security adviser was directed against the republic's national interests and Manucharyan himself, being by nature a "remarkable schemer," almost seized real absolute power. According to Siradegyan, Manucharyan kept an eye on the KGB, the Ministry of Internal Affairs, the army, and the tax inspectorate, placed his people in key posts in the Council of Ministers, in the Administration of Special Programs, who maintain communication with Karabakh, and in the Armenian Industrial Construction Bank, as well as "tried to seize national television." At the same time, Siradegyan recalled that Manucharyan played a destructive role in the previous Karabakh Committee, out of which the Armenian Pannational Movement grew subsequently. According to Siradegyan, it was Manucharyan who at one time broke up the planned combination and cooperation in the Karabakh question between the Central Committee of the Communist Party of Armenia and the Armenian Pannational Movement. He enlisted many morally unscrupulous individuals from Komsomol organs in the movement and set prominent leaders of the Armenian Pannational Movement at loggerheads. Siradegyan asserted that Manucharyan did his utmost to cause a split between the present president and former prime minister Vazgen Manukyan. Furthermore, the opinion that power in Karabakh, allegedly, belongs to the Dashnaksutyun Party has become popular since Manucharyan's service. However, in Siradegyan's opinion, power,

not party-political, structures had real authority in Stepanakert. From Siradegyan's speech it became known that the former chief adviser contributed to the transformation of the KGB into a criminal commercial structure, under the aegis of which currency machinations flourished and illegal deals with arms and strategic materials, in particular with copper and aluminum, were conducted. With all this Manucharyan never sought to occupy a high, responsible post, preferring to remain in the background and to act through his puppets. Among the latter the following were named: Gevorg Vardanyan, former minister of state; Ambartsum Galstyan, former mayor of Yerevan; Vagan Shirkhakyan, former deputy minister of defense and adviser to the president, and many lower-ranking officials. According to Siradegyan's assertion, enjoying the high patronage of the chief adviser, all of them committed criminally punishable acts: They took diamonds and antiques out of Armenia, dictated the currency rate to the black market, transported stolen cars from Armenia to Georgia and back, and transferred currency funds abroad. In particular, with the participation of the former management of the Almaz Plant and with Vagan Shirkhakyan's help 2 million dollars were transferred to the United States and only recently part of the funds have been brought back with great difficulties. It was also declared that a certain "Moscow Armenian" manages the circulation of criminal money.

As Vano Siradegyan said, the state succeeded with great difficulty to squeeze Manucharyan out of his positions and to rid ministries and departments of his influence, bringing them back under government control. The minister declared that all the individuals mentioned by him have long been in the focus of attention of operational services of the Ministry of Internal Affairs. Their fault is so obvious that the only thing the procuracy can do is to institute criminal proceedings against them. The only person against whom this will not be simple to do is Manucharyan himself, who, as it appears, does not have the "harmful" habit of signing any documents. However, the minister expects that testimony will help to prove Manucharyan's guilt.

Vano Siradegyan also noted that Ashot Manucharyan's present high activity and his attempt to again begin exerting influence on the solution of the Karabakh problem, undoubtedly, are instigated from without by forces, for which the existing social and political calm in Armenia is not advantageous and which do not want a stabilization of the situation in the conflict region. It is these forces that have brought to life the figure of the former adviser from political nonexistence. "It is ridiculous to say that foreign political problems can be solved at the party level and at the public level, as Manucharyan asserts," the minister stressed. "The poorly camouflaged attempt to again try to get back the lost influence and the opportunities connected with it lies behind all this."

In general, in Siradegyan's opinion, in Armenia there is a widespread faulty practice, under which public figures, who have tarnished themselves, try to change their

image, appearing as members of the opposition so that any actions against them may be perceived by the public as an attempt by the authorities to restrict civil liberties. The minister's admission of his intention to hold a briefing, of which he advised the president only at the very last moment, was also curious. Levon Ter-Petrosyan received this fact without enthusiasm, because he himself was not at all inclined to attach serious significance to Ashot Manucharyan's words and actions, considering him an unbalanced person. However, the head of the police department does not share such an approach, because, as he said, he sees well all the danger emanating from his former companion-in-arms. Therefore, by his own admission, he decided to "wash the dirty linen in public."

The minister's revelations evoked the strongest public reaction in Armenia and placed the country on the brink of a criminal political scandal. A certain confusion is observed at the headquarters of the Armenian Pannational Movement. In principle, here people are in agreement with Siradegyan. However, they consider his action impulsive, unprepared, and capable of causing harm rather than good. In the camp of leftist Dashnaks and communists there is an unconcealed jubilation in connection with the self-exposure in the camp of their ideological opponents.

Ruben Mirzakhanyan, leader of the Liberal Democratic Party, declared that, apparently, all this was the beginning of a big quarrel between two mafioso clans inside the Armenian Pannational Movement, with which, of course, opposition forces had nothing to do, and all the attempts to lend a political nature to what was going on were provocative. Ashot Navasardyan, chairman of the Republican Party, also agreed with this opinion. At the same time, he noted that, undoubtedly, forces seeking a destabilization of the situation in Armenia stood behind Manucharyan. The transparent hint by the chief of the police department about some "Moscow Armenian" mixed up in mafia affairs seems not at all accidental. Not so long ago the Armenian minister and Serzh Dzhilovyan, a prominent Moscow businessman, exchanged very painful attacks. Dzhilovyan accused Siradegyan of organizing an attempt on his life, while Siradegyan, in turn, declared that the mafia itself (the minister also includes the businessman in it) sooner or later would eliminate Dzhilovyan and "Armenia will have nothing to do with this." The Moscow businessman's negative attitude toward Yerevan's present authorities and his desire to return to Armenia as a new leader are not concealed in the least. Furthermore, the phrase about Manucharyan's "Komsomol entourage," probably, was by no means accidental. A hint about Suren Arutyunyan, former Komsomol boss, later former first secretary of the Communist Party of Armenia, and a prominent representative of Russian-American business, is noted here. Moreover, it is no secret that in the question of the solution of the Karabakh problem Manucharyan has always been inclined to use Moscow's recommendations. Incidentally, the republic's present leadership is also

inclined to follow the Kremlin's advice and not only in the sphere of foreign policy. Therefore, it is possible that certain forces in Russia, indeed, have decided to use Manucharyan's figure in their interests.

There is nothing strange in all this. It is only surprising that this circumstance has become the cause of such a sharp and prompt reaction. Many people in Yerevan assume that this is connected with the fact that Manucharyan possessed information compromising a number of figures in the present presidential entourage and was preparing to promulgate it at a convenient moment. Therefore, the minister of internal affairs simply tries to forestall Manucharyan's blow. At the same time, the compromise, evidently, concerns mainly the Department of Internal Affairs. Possibly, that is why the minister's actions were of a spontaneous, not completely thought out, nature. After all, as it was accurately clarified, the president, in fact, did not know about Siradegyan's intentions until the last moment and found out about the specific content of the briefing only after it ended. At some moment it seemed that Levon Ter-Petrosyan would make a statement, in which he would dissociate himself from individual pronouncements by his minister, especially on matters of a foreign political nature. However, this did not happen. Probably, the president decided to "remain above the skirmish" for the time being. On the other hand, on the same day ambassador at large David Shakhnazaryan met with Russian and U.S. ambassadors and it may be assumed that these talks were far from simple.

In a private conversation with a person from the presidential entourage, Manucharyan himself expressed surprise at Siradegyan's action and stressed that he did not intend at all to go over to the opposition, but only aimed at strengthening the intellectual aspect in the discussion of the problem of Nagorny Karabakh.

Meanwhile, there is no doubt that the "skirmish" will take place and very soon at that. Ambartsum Galstyan, Yerevan's former mayor, has already announced his intention to hold his own press conference and to expose the abuses in the system of the Ministry of Internal Affairs. Moreover, many former members of the Karabakh Committee are preparing to make a joint statement. The parliamentary opposition is about to send a whole series of questions to the government and the procuracy. In turn, the procuracy is also not inclined to fulfill the minister's recommendations and to hastily institute criminal proceedings. As experience shows, the procurator-general, whose removal Siradegyan, in fact, demanded during the briefing, is not afraid to enter into complex relations with the Ministry of Internal Affairs. Therefore, the retaliatory attack on Siradegyan promises to be a mass attack and the moment when the president will have to have his say in order to calm passions is inevitable. The piquancy of the existing situation lies in the fact that, according to the results of the quarrel, this say may by no means be in support of the still strong minister.

Difficult Living Conditions of Ordinary Armenians Detailed

944K0723A Moscow IZVESTIYA in Russian
12 Feb 94 p 4

[Article by Sergey Bablunyan and Valeriy Konovalov, IZVESTIYA: "Between the Dram and a Tragedy"]

[Text] What keeps a man freezing in the street warm? The thought of a warm apartment, hot shower, and warm bed waiting for him.

In Yerevan these days, everything is in reverse.

It is depressing to return home from the frosty street. As to a cold bed, just the thought of it gives one the shivers. People here do not undress when they go to bed—on the contrary, they put on as many clothes as possible. Even a knit cap does not quite protect one from the feel of an icy pillow. People feel much colder in apartments at night than during the day in the street.

And this is not just for a day or two. A constant feeling of hunger is intolerable precisely because it is constant.

Many people here, including one of the authors of this article, have bluish, slightly swollen hands; even a slightly below freezing temperature causes them to swell and darken. It is not frostbite but the consequence of constant exposure. You acquire this condition in your apartment, not on the street.

Children and the elderly are the worst off, of course. Everybody in Armenia suffers, however, in their own way: the ordinary citizen, the family, the enterprise... And not just from the cold.

A 17-point Earthquake Is No Longer Frightening

Only one person was working at the gigantic Masis Footwear Association in the middle of the weekday: General Director Rudolf Arutyunyan. In a gloomy mood, he was sitting in a spacious cold office, doing calculations that were making him even gloomier.

Until very recently, nobody ever saw him like this, and could not even imagine it. Energetic, self-assured seemingly under any circumstances—this was the familiar image of him. The enterprise, whose fame transcended the borders of Armenia, has now been idle for weeks. The entire collective has been sent on compulsory leave—first for last year, and immediately afterward—for the current one.

"First, we have no raw material..." explained Arutyunyan.

One could stop right there, as in a famous joke about the absence of bullets, but the point is that there is no one single problem facing Masis and Arutyunyan which, had it been solved, could make the situation easier. Yes, the leather tanning plant, idled because of the scheduled cut-off of electricity, will get back on line any moment now, and with this leather one could somehow resume

making footwear. But even if a miracle happened and they began to get supply of lasts from Armavir, bottom parts for children's shoes from Chisinau, rubber from Ukraine, raw material and semifinished components from Kursk, Belarus, and Italy, how are they to pay for these supplies; how to transport the finished product; how to pay for incredibly expensive power and fuel?

A few years ago Masis produced 23 million pairs of excellent footwear a year, of which only 7 million remained in Armenia while the rest were exported. Right before the stoppage of production, annual output amounted to 5 million pairs, and now even this level is unlikely to be achieved.

Arutyunyan adds up what the steam from the boiler house will cost the enterprise, and how much transportation costs would be; the bottom line is that there is no way to make ends meet, and the enterprise cannot afford to operate at a loss.

What makes it even more painful for the director to suffer through inaction and lack of prospects is that he has at his disposal state-of-the-art equipment, as well as highly skilled world-class specialists and craftsmen. The reputation of Armenian footwear makers—as well as, by the way, clothes and rug makers—is high around the world. The largest foreign firms used to gladly enter into cooperation with local enterprises, deliver machinery and semifinished products, and create joint enterprises. The Masis trademark, for instance, was well known and commanded respect in the world market. Now all this is in the past.

"Of 138 large enterprises in our sector, only 38 are operating now," Minister of Light Industry Rudolf Teymurazyan told us. "Economic conditions make normal production impossible. Imagine, for instance, an eight- or nine-point earthquake; at this level a city is totally destroyed and the population dies; if the force of the earthquake keeps increasing and reaches, for instance, 17 points, it is not going to do any more damage than it already has. This analogy can be applied to our financial situation. Prices have shot into outer space. The gap between the level of production costs and wages, the cost of fuel and power, and the cost of transportation, on the one hand, and potential earnings on the other may now increase to any size without changing the situation.

What Am I To Buy With My Salary: Toothpaste or 10 Eggs?

Putting together a family budget resembles the Masis director's sad calculations. The minimum wage in Armenia is 110 drams; the average wage is 250 drams. The difference between them, however, much as between pensions and allowances on one hand and the president's salary on the other, is not that tangible. Prices are out of reach in relation to any local income. With the level of prices and the exchange rate, 100 drams correspond to approximately one dollar. That is, most people here have a monthly income in the range of \$1.5-3.

In the stores, and it is almost the same in farmers markets, a kilogram of beef costs 260 drams; butter—350-500 drams; sugar—90; onions—100-150; cheese—350; and sausage—450; a bottle of vodka costs 600 drams, champagne—800; a pack of cigarettes—between 10 (Astra) and 60 (Magna) drams; a tube of toothpaste—100; a bar of household soap—50; and 10 eggs—100 drams.

So, after deducting apartment rent and the cost of public transportation, for one monthly salary one can buy here two packs of cigarettes, or 10 eggs, a tube of toothpaste, or 300 g of butter...

(Let us note in parentheses that here, too—although not as frequently as in Moscow—one can see people who have enough money to buy any food or other goods in expensive stores, and even patronize the rare casinos and restaurants. There are, of course, members of various sorts of mafia among them, which is tenacious everywhere, but for the most part they are people who do business outside Armenia, or their relatives. In Armenia itself it is almost impossible to operate a normal business now—limited and costly communications eat up any earnings.)

So, how do most people live, or rather, survive?

For most, the only affordable items are probably fish and bread, which is sold by coupons—350 g per person a day for half a dram. Potatoes used to be relatively cheap, but lately their prices have gone up considerably, and now they cost as much as oranges. This is the meager and monotonous ration that has now replaced the traditionally abundant Armenian table in most families.

There is one more expense item, as necessary as it is burdensome: candles and kerosene.

You Want To Build a House—Build a Hospital Next To It

It is difficult to get used to cold and hunger, but people have no choice. They have lived without heating for so long that children who are beginning to talk do not know what the radiators in the apartment are for. Hot showers and baths are science fiction here. An attractive woman with traces of past grooming confessed to us that Whiskas advertising simply irritates her, but when she sees shampoo and bubble bath on the screen she gets hysterical.

Actually, watching television is a rare pastime for an Armenian these days. Electricity in apartments is turned on for an hour and a half a day. At least in the past the utility kept the schedule of "rolling switch-on" by microrayon; people could prepare for it and plan things in advance. Now the schedule is off quite frequently, and nobody knows when the lights will come on. They live in constant readiness for a sudden two-hour-long flash, during which you have to manage to accomplish everything: cook food, do the laundry, recharge a battery—for

those who have one, heat water... Television is certainly not a priority at such moments.

People have to make do with candles and kerosene cookers. One candle costs 15 drams; a liter of kerosene—120 drams (as a reminder—the average monthly salary is 250 drams). Naturally, these sources are used only when absolutely necessary.

Everything that burns goes for heating, including books. It is rare to see a building entrance in Yerevan these days that has a door—they have all been used up as fuel. One increasingly sees stumps in place of trees in the city.

Lately, so-called "illegal plug-ins" have become widespread. All sorts of ingenious and sometimes very original devices enable city residents to plug into power lines supplying facilities that have a regular supply of power. A local joke: A man begins to build a house for himself, and at the same time a hospital next to it. He is asked:

"But why do you need a hospital?"

"For an 'illegal plug-in'..."

Those who have left temporarily or for good to live in more hospitable places take a long time to shed the habits of Yerevan life. They take matches with them when they take a bath or visit a bathroom—to light a candle. They blow at a table lamp before going to bed. They jump when the lights are turned on in the apartment...

There are many who are leaving. First and foremost, they try to get the children out—not only to normal living conditions but also to an education. Schools and colleges are closed—at this point until spring. The fate of an entire generation—which means the nation's future—is in jeopardy.

It Is Cheaper To Stay Home Than Work, But Getting Divorced Is the Best

If early retirement is an option, many leave work. The difference between any kind of pay, as we noted above, is of little substance, and when you stay home you save energy and money by eliminating transportation costs.

Pensions, unemployment benefits, and allowances for families with many children and single mothers are distributed through the Ministry of Labor and Social Security Services. Minister Ashot Esayan told us how meticulously this work is performed; he also told us that lately his staff have begun to uncover instances of fictitious divorces for the purpose of claiming single mother benefit.

Charitable aid coming to Armenia through various channels also is concentrated in this ministry and distributed by it. This is not an easy task, not only because there is not enough for everyone, but also because communications with the outside world are difficult. For instance, they received a shipment of kerosene cookers from the

United States, but have not been able to get the accompanying kerosene out of Batimu. However, even moral support is of great significance here.

Here, by the way, is the account number where monetary aid may be sent.

Yerevan, Myasnikyanskiy State Commercial Bank, 141 635.

Not Only Unhappy Families Are Unhappy in Their Own Way

One cannot explain Armenia's current troubles by the preponderance or the legacy of the party nomenklatura. Its members have been long removed from power. And the reforms and democratization initially proceeded here without delay and aggressively. Redistribution of land and decollectivization, for instance, were implemented earlier and on a larger scale than in other former Union republics.

But first an earthquake, and then Karabakh, the confrontation with Azerbaijan, and then destabilization in neighboring Georgia became factors that overrode everything else.

Separation from the ruble zone has affected Armenia more painfully than others. The national currency—the dram—is not becoming a full-fledged currency and is hampering opportunities both for enterprises and commercial traders.

Is a free market and liberalization in the economy possible at all in this situation? Would it not be more logical, as some opposition members suggest, to go the opposite way—tighten the administrative reins and centralize all resources and distribution channels?

"No," Armenian Prime Minister Grant Bagratyan told us. "Even in these conditions a market economy is much more viable. Expensive as food is, it is still available—and only because the main landowner is the private farmer rather than kolkhozes. We are now beginning privatization in other economic spheres as well. We will stop the production decline; as to the dram's exchange rate in relation to the dollar, we have already stabilized it. Of course, the situation in general is so hard for the populace that people's attitude toward the government in these circumstances cannot be positive. It is hard to be loved in these conditions.

The rating of the government, and of the president, has dropped perceptively lately. Many people who just recently were the president's ardent supporters now criticize him sharply. People are irritated both by the optimism frequently displayed by the prime minister and the extreme reserve in forecasts that has been lately characteristic of the president.

"How could Levon say something like this on New Year's Eve?!" we heard more than once. "As if it is not enough that families had such a meager holiday meal on

the table—then the president added insult to injury by saying that it may get worse. How can it get any worse?"

While there is a perceptible shift in society's attitude toward the president and the government—despite the fact that there are no serious alternative forces in sight, because the room for maneuver in politics and economics is too small—when it comes to the question of Karabakh, the position remains the same and quite unshakeable. Nobody here questions the fight to take Nagorno-Karabakh from Azerbaijan, and the solidarity with Karabakh Armenians remains across the board and sincere.

Armenian Minister of Defense Serzh Sarkisyan is a civilian, a philologist by education. He fought in Karabakh, however, and has a reputation as a talented military commander. He reasserted to us that the Armenian army is not engaged in combat operations, but it is unthinkable to leave Karabakh residents without support. By the way, his own wife and children live in Stepanakert.

There is one more point on which probably all parties, movements, and all strata of society agree—the necessity to strengthen ties with Russia, the hopes for Russian aid. Many are inclined to idealize the situation in Russian politics and the economy—the difference in the standard of living and the stability of the two countries' currencies is just too great.

How Long Can One Keep Pushing a Trolley Bus?

Peasants are today on much more solid ground than urban residents. We saw proof of this in Artashatskiy Rayon. As everywhere in Armenia, land here is mostly divided among individual owners. All in all there are more than 300,000 private farms in the country—considerably more than in immense Russia. These farms are small—between one and 10 hectares. However, for such traditional sectors as viticulture and horticulture, this size is optimal.

Despite the high cost of fuel, fertilizer, and manufactured feed concentrates, as well as the general economic crisis, harvest yields are high. The yield of potatoes last year, for instance, amounted to 420,000 tonnes—a record over the past 10 years. The decline in the size of livestock herd has been halted. The problem right now is not production but distribution of agricultural output.

In the same Artashatskiy Rayon, for instance, which is located quite close to Yerevan, it is still too costly for peasants to bring produce for sale in the capital.

This is precisely why, as Minister of Agriculture Ashot Voskanyan told us, the ministry also shifted from production management to organizing services for peasants, distributing their output, and pricing policy.

One way or the other, at least the countryside feeds itself well. Only a small part of the republic's population live there, however—most live in Yerevan and other major

cities. But private farming's potential is sufficient to provide for all urban residents. And not only with respect to foodstuffs.

This is quite noticeable if one looks at enterprises processing local agricultural output. Director of the Aygorg rug factory Eduard Agadzhanov told us that since decollectivization to this day the problem of wool procurement has ceased to be a problem for him altogether. Private suppliers are much more reliable and provide better quality than state suppliers.

There is a score of enterprises of completely different specializations that have been able to find for themselves a way out of the incredibly difficult conditions and develop production. The Bazalt defense plant is setting up production of trolley buses and furniture; the famous Ararat cognac factory is expanding its distribution market; bakery plant No. 4 has doubled the output of bread... Nevertheless, the decline in the Armenian economy is serious and painful. It is not easy to get reliable statistics in this respect in Armenia itself: some data are classified, others differ tremendously from one another, or are frankly unrealistic.

According to experts of the Moscow center SovEcon, the picture looks like this: According to preliminary estimates the gross domestic product for last year will amount to only 38 percent of the 1990 level, while in Russia for instance, it will amount to 57.6 percent, in neighboring Azerbaijan—48 percent, and in the CIS as a whole—55.5 percent; the volume of industrial production—30.5 percent, in agriculture—55 percent, and in construction—20 percent. In all other indicators Armenia is also considerably behind both Russia and the CIS.

Meanwhile, outside the gates of even relatively well-to-do enterprises there are streets with very few cars, because gasoline is very expensive. Streets down which where one sees people dragging bundles of firewood and brushwood. Here and there one gets a glimpse of a scene that would be incomprehensible, for instance, to a Muscovite: Passengers are pushing a trolley bus, and only this way getting through what is quite often a considerable part of the route going through a microrayon where the electricity has been turned off—to an area where there is light.

Edict Provides for Measures to Improve Foodstuffs Imports, Sales

944K0701A Yerevan RESPUBLIKA ARMENIYA
in Russian 18 Dec 93 p 1

[Edict of the President of the Republic of Armenia: "On Additional Measures for Creating Favorable Conditions for the Importation and Sale of Food Products in the Republic of Armenia"]

[Text] In view of the tension that has arisen in recent days on the republic's consumer market and considering the need to overcome bureaucratic red tape and to create

favorable conditions for the importation into the republic and the sale of food products and fuel, and attaching great importance to the tasks of the most effective implementation of a number of decrees adopted by the Government of the Republic of Armenia and the state commission for the regulation of monetary turnover in the recent period directed to putting monetary turnover into good order and regularizing foreign trade, I DECREE that:

1. The Government of the Republic of Armenia is instructed and it is proposed to the Central Bank of Armenia to discuss and make the necessary changes within a week in decrees of the Government of the Republic of Armenia and the Central Bank of Armenia No. 383 of 26 July, No. 402 of 30 July, No. 519 of 13 October 1993 and in decree of the Government of the Republic of Armenia No. 520 of 13 October 1993, having as its object the maximum facilitation of the importation into the republic and sale of food products and fuel, having provided for the most favorable conditions for the establishment of foreign economic ties for the individual entrepreneurs and other persons engaged in economic activity who have been attracted into this business. In the matter of the obligatory sale of the foreign currency funds obtained to the Government of the Republic of Armenia, a differentiated approach is to be developed to ensure the continuous replenishment of the working capital of enterprises and organizations and the conducting of normal economic activity.
2. The Government of the Republic of Armenia, jointly with the Central Bank of the Republic of Armenia, is, within five days, to discuss the question of the need to review the temporary prohibition on the conducting of trading transactions in cash established by paragraph six of decree of the Government of the Republic of Armenia and the Central Bank of Armenia No. 383 of 26 July 1993.
3. In view of the fact that conflicting interpretations have arisen in the implementation of the decree of the Government of the Republic of Armenia of 26 November 1993 "On the Exemption from the Value Added Tax of Individual Types of Food Products and Certain Children's Goods Being Sold to the Population in the Territory of the Republic of Armenia," the State Tax Inspectorate of the Republic of Armenia is instructed to extend the above-mentioned decree of the Government of the Republic of Armenia to the wholesale and retail trade in butter, vegetable oil, sugar, granulated sugar, margarine, groats, cheese and powdered milk both produced in the Republic of Armenia and imported into the Republic of Armenia, having fully exempted the importation and sale (trade) of these goods from the value added tax.
4. The Government of the Republic of Armenia is instructed, within five days, to establish a suitable procedure in the Zvartnots [as transliterated] and Erebuni [as transliterated] airports of the Republic of Armenia so as to preclude the formation of any

artificial barriers to the reception of cargo planes in the republic, the organization of return flights, and the importation of food products and other cargoes.

The attention of the Ministry of Internal Affairs, the Customs Administration of the Republic of Armenia, and the leadership of the Main Civil Aviation Administration under the Government of the Republic of Armenia is to be drawn to the enormous state importance of this question and the need to create conditions of the severest intolerance as regards any illegal action.

5. It is to be established that, beginning 20 December 1993, any organ of executive power is to be prohibited from conducting checks in organizations (irrespective of the form of ownership) importing into the republic and selling food products without the special permission of the Government of Armenia. The above-mentioned organizations are strictly bound, in accordance with the procedure established by law, to submit a quarterly report to the appropriate organs of the State Tax Inspectorate of the Republic of Armenia on the overall results of the economic activity they have conducted and in conformity with this on the status of the payment of state taxes.

The Government of the Republic of Armenia is to establish the procedure for checking the quality of food products being imported and sanitary fitness.

6. The Government of the Republic of Armenia, within two weeks, is to specially consider the overall situation which has arisen in the airports of the Republic of Armenia resulting from the need for the reliable organization of flights, the fundamental improvement of the business of transporting passengers and freight, and the establishment of suitable procedure in the area of financial and economic activity.
7. The Monitoring (kontrolnyy) Service under the President of the Republic of Armenia is to report every 15 days on the course of the implementation of the present Edict.

[Signed] L. Ter-Petrosyan
President of the Republic of Armenia
Yerevan
15 December 1993

Official on Steps Needed to Improve Foreign Investment

944K0701B Yerevan RESPUBLIKA ARMENIYA
in Russian 15 Dec 93 p 2

[Article by Aram Tarakchyan, chief of the foreign investments department of the Ministry of Economics of the Republic of Armenia: "A Technologies Market Needs to be Created In Armenia"]

[Text] The department of foreign investments was created four months ago in the Ministry of Economics of the Republic of Armenia. The chief of this department, Aram

TARAKCHYAN, characterizes the situation with foreign investments in Armenia like this.

The department is not engaged in procuring foreign investments. Our goal is the creation of conditions so that investments would come into Armenia without the help of the president or the prime minister. To do this one needs to know how and for what purpose investments are made in the world. It is necessary to create a mechanism for the support and encouragement of investments. The principle of supporting investors is clear and common the world over: a favorable legislative field. In this case our task is clear: to adopt such laws. Encouragement is another matter. In this case the presence of a well thought-out and considered program specially for Armenia is required.

Official letters of proposals with invitations to foreigners to make investments were sent from Armenia to various addresses in the past. Not a single positive reply has been received up to this day. The reason, it seems, is in the lack of information about investment processes.

Investments can first of all secure for us the fruits of the work of the scientific and technological thought of Armenia.

Today the Japanese are successfully selling the "Narine" [as transliterated; not further identified] on the international market. However, this is not the "Narine" purchased from us but one which they have made over and brought up to the requirements of world production standards. We have not been able to achieve this despite the fact that we have received the tens of thousands of dollars due us and the Japanese have offered us cooperation.

Intellectual property—these are resources which are not exhausted when sold but augmented. One needs simply to learn the way to enrich them by sale. Today in Armenia there are several score of new technologies of the "Narine" level and several hundreds of technical and technological research and development projects which may interest foreign investors.

The first and most important investment program is a program for the creation of a technologies market in Armenia.

This program cannot be created by a single step, by a single order or other administrative act. The components of the market must arise and function by stages. The following steps are essential:

a) creation of an information bank which will include various kinds of information on research and development projects and inventions being brought about in Armenia that are promising from the technological viewpoint. Use of this bank should require payment. It will make it possible for everyone who is interested to become familiar with a research and development project or technology;

b) creation of a small group of 200-300 innovation consultant specialists—the connecting link between the information system and those who need the technologies, their potential customers. A mutual influence of the supply and demand for intellectual property is thus created. This is the basis of the market;

c) development of the basic directions of the government's scientific and technical innovation policy. In this case many of those whom the state now finances free of charge as scientific workers will switch to that system of financing which directly serves the creation of new technologies.

If there are all these components, there will also be a technologies market and only then will foreign investors be able to carry out investments here.

Historic Ties of Georgia, Armenia Examined

*944K0708A Yerevan GOLOS ARMENII in Russian
14 Dec 93 p 4*

[Article by Rem Ananikyan, Artur-M Scientific Analysis Center: "The Important Thing Is That Armenia and Georgia Are Brothers in Spirit and Blood: On the Bridge of History"]

[Text] The paradox is that after living next to each other for thousands of years, Armenians and Georgians do not know each other very well and display an unforgivable indifference to studying the history and culture of the neighboring people. Really, what does an "average" Armenian know about Georgia? That during the times of Tigran the Great part of the territory of modern Georgia was subject to the "king of kings"? That the ancient Georgian alphabet was invented by a disciple of Mesrop Mashtone, and Tbilisi was built by Armenians? That Georgians are noble, gay, careless, and vainglorious people but to this day have not learned how to really make shish kebab?

And what can the "average" Georgian say about his Armenian neighbors? That under Queen Tamara Armenia was part of Georgia; that Armenians constantly lay claim on the great Shota Rustaveli as their own; that they are calculating, stingy, and cunning people, and generally, why do they not go back to Armenia?

In reality, however, how rich and interesting are the interconnections between the two peoples! How many glorious pages of joint struggle against foreign invaders has their history registered!

How is it that, surrounded by a hostile Muslim environment, Orthodox Georgia and Apostolic Armenia have managed to preserve their language, culture, spiritual values, and faith? This is the amazing historic phenomenon to which our researchers should turn their attention first and foremost. We should look for the roots of the strength of the brotherhood of two peoples, which has not been weakened over time, in ancient manuscripts and wonderful samples of miniature painting.

It is not surprising that the news of the collapse of Armenian statehood was perceived by Georgia with alarm and pain. The country was losing its ally, protection at the approaches to its borders. It is hard for many to understand today why Georgian people extended so much warm and heartfelt hospitality to Armenians fleeing the devastating invasion of Seljuk Turks. They settled in one of the plentiful regions in Georgia—Kakhetia, with its capital of Telavi. And to this day thousands of descendants of those remote resettlers live and prosper in this land famous for its wines.

In Tbilisi, which by then was already the main city in the Transcaucasus, Armenians were greeted with expansive hospitality. Most of them were merchants, gunsmiths, jewelers, stone masons, and other craftsmen, which in many respects contributed to economic progress in Georgia and expansion of its ties with Asia Minor and then with Russia and West European countries.

According to the testimony of A.S. Pushkin, who visited the Russian-Turkish front in 1829, "in Tiflis [Tbilisi] most of the population is comprised of Armenians: they accounted for up to 2,500 families in 1825. During the current fighting the numbers have grown. It is estimated that there are up to 1,500 Georgian families (See "Journey to Erzurum").

Naturally, Armenians made a serious contribution to the development of the Georgian capital and its cultural life. Suffice it to mention the Ovnatanyan dynasty of artists, whose creative life in Tbilisi spanned over 200 years beginning in 1661, when Czar Vakhtang the Sixth invited Nagash Ovnatanyan to his court. Nagash's grandson Ovnatan was Iraklii the Second's court painter. Many people do not know that artist Mikirtum Ovnatanyan did the murals of the famous Sioni cathedral.

The peasant reform of 1864 sped up the development of capitalism in the Transcaucasus. Gradually a considerable part of industry, including oil production, as well as trade became concentrated in the hands of the Armenian bourgeoisie. This is when strains appeared in Armenian-Georgian relations. This is when rivalry developed between the Armenian bourgeoisie and Georgian nobility, which had a negative impact on interethnic relations. This period in the life of Georgia has been aptly portrayed in Tsigareli's comedy "Khanuma."

At the end of the 19th and beginning of the 20th century Tbilisi developed rapidly, becoming one of the most beautiful cities in the Russian empire. An enormous contribution in city planning and development was made by major industrialists and benefactors Mantshev, Aramyants, Melik-Kazaryan, Bozardzhyan, and others. Dozens of newspapers, magazines, and books were published in Armenian; a theological seminary opened. The national party Dashnaktsutyun was also founded in Tbilisi at the junction of the two centuries.

At the same time, the changes in social and public life and the advent of capitalist relations that were basically

alien to the patriarchal way of life could not fail to create fertile soil for stronger Armenian-Georgian rivalry, which sometimes assumed acute forms. The behavior of certain strata of the Armenian population inevitably caused disapproval among the Georgian public. Some Armenian scholars sometimes committed missteps by clearly exaggerating the role and place of Armenians in the history of the Georgian nation.

Neither were some Georgian thinkers particularly noted for their objectivity. In the most concentrated form this anti-Armenian mood was expressed by Georgian literary classic Ilya Chavchavadze. The great poet came out with the book "Armenian Scholars or Crying Stones," in which he accused Armenian historians and writers of all mortal sins and insulted the entire Armenian nation. His sense of proportion unfortunately failed the great patriot, and his emotions overrode objective and impartial evaluation. I. Chavchavadze's book went beyond the bounds of scholarly debate, for which it was justly criticized by an outstanding scholar, Academician Nikolay Marr, who was, by the way, a Georgian by his maternal line.

Armenian-Georgian friendship was put to a severe test in 1918-1920. At the time of Turkish invasion of Transcaucasus in 1918, the Menshevik government of Georgia occupied Loriyskiy District. Over the period of 1,000 years of neighborly coexistence between Armenia and Georgia there were no wars—a unique fact in human history. The Georgian-Armenian war (13-31 December 1918) was provoked from outside, by dark political forces.

In the 1930's there were quite a few Armenians in top-level positions in Georgia. Gradually they were replaced by Georgian national cadres. Unfortunately, ethnic policy in Georgia became biased with the advent to power of L. Beria, who never hid his anti-Armenian views.

Nevertheless, we can say that the friendship between the Georgian and Armenian people withstood the test of time. This is supported by numerous examples of extending mutual help and special relations of trust. Armenia will never forget that during the tragic Spitak earthquake the first help to arrive in the disaster zone was from Georgia. Probably the only people to show moral support to Georgia after the bloody events on Rustaveli Prospect, when Tbilisi residents died of the hand of brutal soldiers, were Armenians. They embodied their solidarity in a monument erected in the courtyard of the Armenian church in Avlabar.

Georgia today is the only route for food and fuel to reach blockaded Armenia. Some political circles in the region and outside it are artificially inflaming interethnic strife, using the complex political situation in the Transcaucasus. And political instability in Georgia immediately impacts in a most unfavorable way on Armenia.

Therefore, any misunderstandings that arise must be removed quickly. This is, by the way, one of the most important and auspicious tasks of the recently created "Armenia-Georgia" society.

AZERBAIJAN

Aliyev Reviews 1993 Events, Problems

944K0686A Baku VYSHKA in Russian 5 Jan 94 p 1

["New Year Message of Greetings to the People From the President of the Republic of Azerbaijan Geydar Aliyev"]

[Text] Esteemed countrymen, sisters and brothers! Greetings on the coming new year 1994! Today is the Day of Solidarity of Azeris throughout the world. I greet the Azeris throughout the world on this momentous day and wish for them to cooperate even more closely in the future!

The year 1993, which is drawing to an end, has been a difficult one for the Azeri people, for our republic. Complex sociopolitical processes have evolved in the life of the Republic of Azerbaijan this year; certain changes have occurred. The war that has resulted from aggression by the Armenian Armed Forces has continued; some of our lands have been occupied; many citizens of Azerbaijan have been forced to leave the locations of their permanent residence and become refugees. This year, the Republic of Azerbaijan has been going through a profound economic and social crisis. We may say with complete confidence and a feeling of tremendous pride that our people and our republic have come out of these difficulties and trials worthily, and are looking to the year 1994 with confidence.

The year 1993 has been marked by complex collisions in the socioeconomic life of the republic. A confrontation between various groups and the striving of separatist forces to dismember Azerbaijan have disrupted sociopolitical stability in the republic, which by the middle of the year ended up on the very brink—at the threshold of a civil war. We might say that a civil war has already started, that the blood of brethren has been shed in some regions of Azerbaijan, which has worsened tensions within the republic. However, the people have once again displayed their wisdom, and prevented a civil war. The confrontation has been eliminated, and the separatist forces endeavoring to dismember Azerbaijan have been neutralized. By now, our republic is already solving its problems under stable and quiet conditions.

This year, our republic has tried to stop the onslaught of the Armenian Armed Forces. Unfortunately, we have suffered defeats, and some territories have been lost. Our citizens who have become refugees as a result of the occupation of Azerbaijani lands by the Armenian Armed Forces have been resettled in other regions of the republic. At present, there are more than 1 million refugees in Azerbaijan. This has produced extreme tensions in the position of Azerbaijan as a whole, and in particular in the situation within the republic.

However, it should be noted that the situation has now changed. In recent months, we have witnessed major changes, which have resulted from the efforts made to

raise an army in the republic, strengthen discipline in it, and securely protect our lands. The units of the Army of Azerbaijan, our heroic warriors are now securely protecting our territories, displaying exemplary heroism, worthily responding to attacks by the Armenian Armed Forces, and striking blows at that. We can say with a feeling of satisfaction that in recent months, all attempts by Armenian Armed Forces have been defeated; their offensives have been turned back. The Armed Forces of our republic are securely defending the positions taken by them and are proving to the Armenian Armed Forces the degree to which the force and might of the Republic of Azerbaijan have increased.

At present, heavy fighting is under way on all fronts, through the fault of the Armenian Armed Forces. We have said repeatedly, and I will repeat again, that our state comes out in favor of a peaceful withdrawal from this war, from the woes that have befallen Azerbaijan. We have taken several steps in this direction, and today we are proclaiming our position again. I think that these steps of ours should produce results. At the same time, the Republic of Azerbaijan has already been able to boost its military might, and our people may be completely confident that the Army of Azerbaijan will be able to take the necessary measures to ensure the secure defense of the republic and to regain the occupied lands in the future, too.

War goes on, fighting goes on, and our people suffer losses. This is natural. Today, just as in the beginning of the year, the valiant sons of the Azeri people become martyrs and die as they defend our lands in front-line regions. Today, on the eve of this holiday, I express my condolences to the families, relatives, and loved ones of the fallen. I admire the courage of the heroic sons of Azerbaijan. May Allah bless all those who have sacrificed themselves, and may their graves be filled with light [the previous sentence is rendered in Azeri in the original]. May Allah grant patience to their families.

I think that our people are capable of enduring these severe trials. At present, on this holiday, I send my holiday greetings to soldiers and officers and all our citizens who are steadfastly and heroically fighting at the front; I greet them on the occasion of New Year's day. I wish them health and success in doing their sacred duty.

The war has borne bitter fruits, and it is still bearing them. The number of refugees has increased as a result of the aggression of the Armenian Armed Forces. As I address the refugees, the esteemed citizens of Azerbaijan, I send my greetings on the occasion of New Year's day. Indeed, it is the tradition of our people for each citizen to mark the New Year holiday in his own home, at the native hearth. Unfortunately, a majority of our citizens have lost warm shelter, houses, and hearths, and have been put up in various rayons. However, the refugees, wherever they might be, should know that our

people care for them deeply, and the state looks after them. No matter how sad they are and what hardships they are experiencing, I wish them to be in a holiday mood today.

Our republic is going through a difficult crisis. The socioeconomic crisis is associated, on one hand, with the war that has been going on for about six years, and on the other hand, it has been due to certain objective and subjective causes. All of these were the reasons for a decline in the welfare of our people, who are now in a difficult situation. However, we know that our people are patient, and that they will endure these difficulties, too. The distressing year 1993 will end, and in 1994 a turnaround will occur in the development of our economy; the welfare of the people will improve with every passing day.

Today, on the Day of Solidarity of Azeris throughout the world, I wish all Azeris to have unity and solidarity. The solidarity of Azeris on the territory of the independent Republic of Azerbaijan is needed to this end first of all. The second year of independence of the Republic of Azerbaijan is now ending. This is not too long a period of time. These two years have been a difficult time for our republic. We are proceeding toward a third anniversary of our independence. We are facing great tasks, to accomplish which our people and the Republic of Azerbaijan will need unity and solidarity of all citizens. If all of our citizens, all Azeris residing in our republic, manage to create a genuine atmosphere of accord, we will be able to achieve unity among Azeris throughout the world.

This is why I appeal to our people for solidarity, I appeal for patience. I would like to assure you that the coming year 1994 will be a year of great changes and great accomplishments for the Republic of Azerbaijan. I repeat: We are now securely protecting our Motherland, our lands. We strive to lead Azerbaijan out of the state of war, to put an end to this war, withdraw from it in a peaceful manner. We have taken a multitude of steps to this end, and we will take them in the future. On 20 December, in Paris, I signed the Paris Charter on behalf of the Azeri people. We have thus demonstrated yet again to the entire world the adherence of the Republic of Azerbaijan to peace, tranquility, and security.

We are supporters of peace. However, along with this we reinforce our defense forces and strive, and will continue to strive, to ensure the recovery of the occupied lands of Azerbaijan. Our people can be sure that all measures will be taken to ensure the territorial integrity of the Republic of Azerbaijan and the inviolability of our borders.

You, dear citizens, dear brothers and sisters, may be certain that in 1994 our occupied lands will be recovered at any price. The refugees will return to their homes, to their dwellings. The territorial integrity and state sovereignty of the Republic of Azerbaijan will be fully upheld.

Once again, I greet all of you on the occasion of New Year's day. I wish all citizens of Azerbaijan to have

peace, tranquility, prosperity, happiness in personal life, and success in all of your endeavors.

Good bye! Happy New Year!

Azerbaijan Publications, Moscow Subscriptions in Trouble

944K0686B Baku VYSHKA in Russian 5 Jan 94 p 1

[Unattributed article: "Will We Be Reading Newspapers?"]

[Text] The first business days of the new year were marked by numerous calls to the editorial office from both our readers and subscribers to various Moscow publications. All of them were concerned about the same issue—will they receive the newspapers to which they have subscribed in the current year, or does an information vacuum lie in store for them yet again?

The editorial office has already informed our readers about the reasons for the irregular publication of VYSHKA in the last two months of last year. The lack of special plates for newspaper printing at the "Azerbaijan" publishing house is the reason. The management of "Azerbaijan" has now promised to ensure the publication of our newspaper once a week—on Saturday. The editorial office itself "arranged" the plates for today's issue. We understand that this report cannot make our readers happy in any way. However, such is the situation.

As far as the Moscow publication to which the residents of our republic have subscribed, the situation is not particularly happy, either. The press distribution company Gasid has informed us that they have still been unable to transfer to Moscow the funds received for subscriptions. However, Moscow has promised to send publications printed there to subscribers, so to say, on credit in January. As for other newspapers that should be printed at the printing plant of the "Azerbaijan" publishing house, the situation is unclear for now, because of a shortage of the necessary quantity of the already mentioned plates.

Figures on Arms Sales to Azerbaijan Said to Be 'Understated'

944K0710A Yerevan GOLOS ARMENII in Russian 7 Dec 93 pp 1, 3

[Comments by Suren Zolyan, deputy to the VS RA [Republic of Armenia Supreme Soviet], as reported by M. Grigoryan: "Rumors About Azerbaijan's Arms Have Proved to Be Understated"]

[Text] Reports that Azerbaijan has been supplied intensively with weapons and combat equipment by various countries have been filtering into the press lately. In particular, it reached the point this September that the MID RA [Armenian Ministry of Foreign Affairs] issued a statement concerning the tanks given to Azerbaijan by

Ukraine. We have asked Suren Zolyan, deputy to the Republic of Armenia Supreme Soviet, to comment on new facts which became known a day or two ago.

Not long ago the Azerbaijan Ministry of Foreign Affairs officially confirmed the press reports that Ukraine had shipped a large consignment of tanks to this country. This official letter from the Azerbaijan Ministry of Foreign Affairs is also confirmed indirectly by the fact that the maximum level of arms for the Azerbaijan army permitted under international agreements has been substantially exceeded, inasmuch as the amount of equipment and number of artillery systems provided by Russia was indicated in another letter. These documents were disseminated by the Azerbaijan Ministry of Foreign Affairs within the framework of the agreement in effect—the so-called OVSE [Conventional Armed Forces in Europe], which provides first of all for the maximum levels of weapons according to individual types of combat equipment for each member country of the SBSYe [CSCE: Conference on Security and Cooperation in Europe], and secondly, the system for notification and information about the presence of their forces. First I will read out these official documents.

In letter No. 174 of 3 November 1993, the Azerbaijan Ministry of Foreign Affairs "has the honor to inform the joint consultative group for the OVSE that the Republic of Azerbaijan received 50 T-55 battle tanks from Ukraine on 27 September 1993." Moreover, inasmuch as the OVSE had information on the weapons which Russia transferred to Azerbaijan, the following is indicated in letter No. 175 of 6 November 1993, "In July and August 1992, the Russian Federation transferred, and the Republic of Azerbaijan accepted under its jurisdiction, the following number of weapons and equipment restricted by the agreement: 286 battle tanks, 842 armored combat vehicles, 346 artillery systems, 53 combat aircraft, and eight attack helicopters." The same letter states further: "In May 1993 (that is, this year—editor), the Republic of Azerbaijan received 105 armored combat vehicles and 42 artillery systems from the Russian Federation."

Three comments need to be made about these letters. First of all, this exceeds the maximum level of weapons stipulated by the agreements. Secondly, a number of resolutions by international organs, the CSCE and the UN Security Council in particular, have been violated. And thirdly, this information is inaccurate (why is stated below).

I want to cite the maximum levels of weapons stipulated by the Budapest Agreement for the USSR as a whole, which were divided among the former union republics proportionately after its collapse. Azerbaijan, Georgia, and Armenia were granted an equal number of maximum levels. I emphasize "maximum level," inasmuch as this number may actually be much lower, as in the case of Armenia, for example.

Thus the Republic of Azerbaijan could have no more than 220 battle tanks. But in fact, it received 286 in 1992 and 105 in May this year from Russia, plus 50 from Ukraine in September. It could have no more than 220 armored combat vehicles. Practically four times as many were received: 842 were transferred in July and August. Further. It could have no more than 285 artillery systems. Let us count them: 346 shipped in July and August, that is, 1.5 times as many, plus 42 in May this year. Once again, this is substantially in excess of authorized levels. To be more precise, this agreement and protocol were signed in Tashkent on 15 May 1992.

So there has been a significant violation of the OVSE agreement by three countries participating in the agreement: Azerbaijan, Russia, and Ukraine.

Why do I think the data provided by Azerbaijan are inaccurate? Take note of this: they begin the count in July and August 1992. We know that beginning in December 1991, a vast number of weapons located in Azerbaijan were seized at random and that a large quantity of weapons were also transferred to this country in May and June 1992. But all this is not being pointed out. So these data are not authentic. Moreover, the weapons Azerbaijan received from neighboring states through other channels were not mentioned, either.

It should also be stressed that the KSDL [Committee of Senior Officials] of the CSCE adopted the first decision on Karabakh on 28 February 1992, in which it stated that arms should not be delivered to the conflicting sides in the region. This was repeatedly confirmed in other documents of the CSCE, so it is obvious that the agreement has been violated since July and August last year as well. As far as Ukraine is concerned, it is violating the UN Security Council decisions, where there is a corresponding paragraph prohibiting arms deliveries to the region of the conflict (No. 822 and subsequent resolutions) in addition to this.

It is interesting that Russia transferred weapons to the Republic of Azerbaijan in May this year, when the anti-Elchibey revolt of S. Guseynov began. This fact was not mentioned, although it is obvious that it definitely contributed to destabilization of the situation and continuation of the conflict. The vast number of weapons—and I think the official figures should be doubled—contributed to escalation of the hostilities, of course. In particular, the weapons transferred in May 1992 led directly to the seizure of Mardakert and Shaumyan rayons, which brought the armed conflict to a completely new level.

The events of this year are a logical continuation of those military operations which began as the result of the vast supply of arms provided to Azerbaijan. It seems to me that the competent organizations should draw their conclusions and evaluate these facts. They graphically demonstrate what Azerbaijan is counting on and who is contributing to the conflict, incidentally.

Musavat, National Independence Parties Profiled

944K0704A Yerevan RESPUBLIKA ARMENIYA
in Russian 10 Dec 93 p 3

[Article by R. Gavrielyan: "...But Our Interests Are Dearer"]

[Text] A total of 28 parties are presently registered in Azerbaijan. A month ago there were 29 of them. After Aliyev was elected Azerbaijan's president, he immediately issued an edict on the banning of the Talysh People's Democratic Party. This was done after the proclamation on 12 August of the Talysh-Mugan Republic, which existed for 2 weeks on the territory of the Lenkoran Region in Azerbaijan.

Of the 28 political parties, several leading ones, which are among Azerbaijan's most influential political forces, can be singled out at present. They enjoy the support of entrepreneurs, the intelligentsia, and a significant part of the population.

The Musavat Party is the oldest party, which has its own history (except for the communist party).

The Musavat Bourgeois-Nationalist Party was formed in Baku in 1911 under the name of the Musavat Moslem Democratic Party. M. Rasul-zade, G. Sharif-zade, and others were its founders. The program was based on ideas of pan-Turkism and pan-Islamism. The program envisaged the establishment of a single Turkic-Moslem state under Turkey's auspices with an inclusion of Azerbaijan's territory. After the bourgeois-democratic revolution in Russia in February 1917 the Musavat Party united with the Turkish Party of Federalists. At the united congress held on 1 October 1917, at which the program was adopted with small changes, the party began to be called the Federalist-Musavatist Turkish Democratic Party. Its social composition was heterogeneous. It included both big businessmen and the nationally disposed intelligentsia.

In Tbilisi in early May 1918 the Musavatist Party formed its government and on 27 May proclaimed Azerbaijan an independent state.

In early June 1918 this Musavatist government was established in Gyandzha (Kirovabad). With England's help it continued its struggle for power and as early as 15 September of the same year, after the overthrow of the Soviet regime, power was formally transferred to Musavatists. In fact, however, a Turkish military dictatorship was established in the republic.

Having become the ruling party, the Musavatist Party of Azerbaijan began to pursue an antinational policy. During its rule (1918-1920) mutual relations with Armenia, which were based on territorial disputes, became extremely aggravated.

The Musavatist government of Azerbaijan kept three-quarters of its military contingent on the border with Armenia. It incited Armenian pogroms in Baku, Karabakh, and Gyandzha.

Soviet rule was proclaimed in Azerbaijan on 30 April 1920. Many members of the Musavat Party emigrated to Turkey.

It was reestablished in Azerbaijan only in November 1992. The number of party members is about 5,000. The intelligentsia is the basic contingent. It includes about 1,500 instructors at higher educational institutions, 140 scientists, and 100 representatives of the creative intelligentsia. Isa Gambarov (Isa Gambar), now former chairman of Azerbaijan's parliament, was elected head of Musavat. After Aliyev's coming to power Isa Gambarov was arrested. However, under public pressure he was released.

In the spring of 1992 Etibar Mamedov established the Party of National Independence of Azerbaijan, which is in opposition to the ruling regime.

Etibar Mamedov's personality is very remarkable. He is a candidate of historical sciences and is one of the founders of the former Azerbaijan People's Front. In the leadership of the Azerbaijan People's Front he headed the radical wing. Since January 1990 he has been an active member of the Committee on National Defense established by the Azerbaijan People's Front, for which he was arrested and held in custody in the Moscow Matrosskaya Tishina prison. Mamedov often stated that the Karabakh problem can be solved only in a military-political way. Military or political measures will not solve the problem separately.

With regard to the status of Nagorno Karabakh, the question of which can be the subject of discussion during negotiations with Armenia, E. Mamedov often declared that "Azerbaijan's territorial integrity must be preserved. The security and rights of the Armenian population of Nagorno-Karabakh are the main questions. Any proposals and plans, where international organizations or great powers would act as guarantors, can be discussed here.

"The act on the republic's independence clearly states that Azerbaijan is a unitary state. According to this document, the establishment of any state formations within Azerbaijan is impossible. Hypothetically, this matter can be the subject of discussion provided Armenia agrees to the return of 200,000 (164,000) Azerbaijanis, who lived on its territory prior to 1988, and enables them to establish their autonomy there."

In the opinion of leaders of the Party of National Independence of Azerbaijan, any leader of the state, first of all, must see to it that normal relations with its neighbors be established. These relations depend on the internal situation of the state. Azerbaijan has resources for the development of all-around normal ties with all neighboring states, except, of course, Armenia.

"We must take the interests of other states into consideration, but place our own above all."

Observers believe that E. Mamedov did not receive the chair of prime minister, since G. Aliyev wanted to offer him the post of secretary of state with the subordination of the Ministry of Foreign Affairs to him. To all appearances, however, E. Mamedov rejected this proposal.

The Party of National Independence did not participate in presidential elections scheduled for 3 October on the basis of the results of the vote of confidence in President Abdulfaz Elchibey. This decision was adopted at the congress of the Party of National Independence. The congress resolution notes that, having scheduled elections for 3 October, the authorities violated the schedules and procedural norms specified by the law on presidential elections. The document also stresses that the Party of National Independence sees the way out of the internal political crisis in Azerbaijan not in presidential elections, but in the formation of a state council, which would include representatives of all political forces. The congress came out in favor of the most rapid holding of new parliamentary elections.

Additional Facts on Azeri Recruitment of British Mercenaries

944K0685A Moscow OBSHCAYA GAZETA
in Russian 4 Feb 94 p 2

[Article by Seyfali Akhundov under the rubric "Ins and Outs: "Karabakh Conflict Becomes International"]

[Text] The Russian mass media have already reported on plans of the British military to send a group of mercenaries to Azerbaijan. They have been limited here, however, to a reprint of Tim Kelsey's article "British Mercenaries in the Azerbaijan War" in the newspaper THE INDEPENDENT. Our OBSHCAYA GAZETA correspondent became aware of additional facts.

In conversation with the OBSHCAYA GAZETA correspondent, Thomas Yang, Great Britain's ambassador to Baku, denied any military contacts whatsoever between the United Kingdom and Azerbaijan. It is known, however, that Thomas Yang was present at talks between British officials and the Azerbaijan military. Major Steven Harrison, military attache of Great Britain in Russia and simultaneously the acting chief military representative in embassies of the United Kingdom in several republics of the former USSR, met several times in December 1993 with Azerbaijan's Minister of Defense Mammedrafi Mamedov. Harrison confirmed to OBSHCAYA GAZETA's correspondent the existence of plans for participation by the British military in the Karabakh conflict, but refused to provide any more detailed commentary.

British official circles are closing their eyes to attempts of businessmen behind the scenes to arrange arms shipments to Azerbaijan and provide highly qualified military specialists to the national army. The British Foreign

Office admits to the existence of plans to send mercenaries to Azerbaijan from Foggy Albion but vehemently denies participation in any dealing. As Mrs. MacFail, press secretary of the British mission in Moscow, stated to the OBSHCAYA GAZETA correspondent, the British Government may not hinder mercenaries from traveling to Azerbaijan insofar as freedom of movement is a high-priority right of British citizens.

Acting as intermediaries between the Azerbaijan military department and British "wild geese"—who are supposed to be in Azerbaijan in the near future and participate in the Armenia-Azerbaijan war on the side of Baku—are British and Turkish businessmen. A key role is being played by 68-year-old Lord Erskine of Rarrick, who resides in the Turkish Republic of Northern Cyprus. Lord Erskine is entered on diplomatic listings of the British Foreign Office as a first secretary. For his intermediary services Erskine receives many millions in honoraria from the Cyprus firm, Summit Ltd., registered in Great Britain. This consortium has already facilitated the acquisition of British and American arms by the Azerbaijan defense department in circumvention of the existing UN embargo on arms shipments into the zone of the Karabakh conflict. A certain Mustafa Mutlu is working together with Erskine, supporting contacts in Baku on the governmental level.

Our OBSHCAYA GAZETA correspondent has learned from trustworthy sources in Azerbaijan that that country's leadership is also supporting close contacts with American military circles. According to unconfirmed sources, the first party of American advisers is already on location in Azerbaijan.

The activity of Western businessmen striving to influence the outcome of the conflict between Armenia and Azerbaijan can be explained by the fact that large-scale oil deposits have been discovered on the Caspian shelf along the coast of Azerbaijan. This is also attracting giants of the oil business to the region—British Petroleum, Amoco, Pennzoil, and others. The consortium which has been formed will soon begin the development of off-shore oil fields. Neither Azerbaijan nor its neighbor Russia has the appropriate technologies which would enable independent extraction of this oil, and the problem of transportation of crude oil has still not been resolved. One plan calls for the passage of a pipeline across Turkish territory to the Mediterranean coast. A new oil refinery is already being built in Izmir. Thus Azerbaijan could soon enter the world market with respect to the black gold. However, during the visit of Turkish Prime Minister Tansu Ciller to Moscow in November 1993, the Russian side proposed its own version—laying the pipeline across Russian territory to the shores of the Black Sea. In rendering assistance to Azerbaijan, the West is making the outcome of the war independent of Russian military assistance to the sides in conflict. It is easy to predict what will follow: Baku will be inclined to make a decision that removes Russia from participation in the oil project of the century.

Criminal Charges Brought Against 1993 Ganje Event Participants*944K0740A Moscow PRAVDA in Russian 18 Feb 94 p 1*

[Article by PRAVDA correspondent Zaur Kadymbekov (Baku): "The Former Ones, As Always, Are To Blame"]

[Text] A criminal file amounting to 30 volumes—such is the result of the investigation of the tragic events that occurred last summer when the former administration of Abulfaz Elchibey made an attempt at an armed attack on Colonel Suret Guseynov's formation. The government forces, using arms, wiped from the face of the earth a military barracks in the center of a densely populated city. There were victims, including peaceful residents who suffered.

And now the organizers and participants in this action will have to face the court. The former chairman of the Supreme Soviet of Azerbaijan Isa Gambarov and the ministers of defense and internal affairs have been charged under two articles: 57—"prime," part 2, which indicates: "The use of armed forces against the people" and envisions prison sentences of from 10 to 25 years, and also the death sentence. The second article is less "terrible"—168—"prime"—exceeding one's authority. It envisions up to seven years of isolation from the society. Also charged under this article are the former procurator general, the minister of national security, and his deputy.

This remains an open question so far: Were criminal charges brought against former president Abulfaz Elchibey and former prime minister Panakh Guseynov? But it is obvious that both of them are out of the reach of the investigatory organs. The former continues to live guarded by his supporters in his native village of Keleki, and the latter is on the run and, according to certain operational information, is outside the country.

GEORGIA**Shevardnadze Evaluates Yeltsin Visit***944K0756A Moscow MOSKOVSKIYE NOVOSTI in Russian No 6, 6-13 Feb 94 p A6*

[Article by Eduard Shevardnadze under the rubric "Commentary": "Eduard Shevardnadze: 'The President of Russia Had the Courage...': Georgian Head of State and Parliament Chairman Comments for MOSKOVSKIYE NOVOSTI on the Results of Boris Yeltsin's Visit"]

[Text] Boris Yeltsin is probably the only Russian politician who has realized and taken upon himself full responsibility for a full-scale adjustment of Russian-Georgian relations. Even my democrat friends in Moscow still do not wish to understand the importance and necessity of the president of Russia's recent visit to Tbilisi. It is difficult for me to say this, but I must: Yegor Gaydar was in charge of the government during the period of the Georgian-Abkhazian war, while his cabinet

provided immense financial and material aid to separatists. Boris Nikolayevich understands that normalization of our relations is in the interests of the preservation of political stability not only in Georgia but also in Russia itself. In the course of a one-on-one conversation we practically came to mutual understanding with respect to the resolution of common problems. Graphic evidence of this is the package of agreements that have been signed, including on freedom of trade, protection of borders, and many others—24 of them so far. More than 10 are still to be signed in the nearest future at the level of the prime ministers. In order to properly implement our agreements, a decision was made to create working commissions headed by Georgian Prime Minister Otar Patsatsia and First Deputy Prime Minister Oleg Soskovets.

Speaking at the Academy of Sciences in Tbilisi to the academic and creative intelligentsia, the president of Russia had the courage and fortitude to say that his country does not absolve itself of responsibility for what happened in Abkhazia. We discussed this problem too, of course. There are three options for settling it with the participation of the United Nations and the use of peacekeeping forces. We found mutual understanding with respect to practically all three options.

The first option envisages the participation of combined UN peacekeeping forces in the conflict zone.

The second also assumes the participation of this contingent with an analogous status, except that 80 percent of participants will be comprised of only Russian armed forces personnel. But in this case the point of contention is financing this process, which requires approximately \$200 million, which, according to Butrus-Ghali, the United Nations currently does not have. There is also another option, which has been proposed by the UN secretary general—let Russia and Georgia come to an agreement among themselves regarding peacekeeping forces in Abkhazia. But in this case we face the same dilemma: Who will undertake the burden of financing?

Intensive consultations are currently underway in all directions. I know that the American government is looking for possible sources of financing. I think that in the nearest future we will arrive at a common denominator. In parallel, work is in progress on a model of political system for Abkhazia that will take into account protection of the rights of the peoples living there, which will be reflected in the new Georgian constitution.

One may ask: Why in the text of the final communique is the issue of ratification of this agreement linked to the problem of peaceful settlement of the Abkhazian problem? We have to understand that Russia also has its own difficulties in the North Caucasus. And this fact obligates both us and our neighbor to find a peaceful resolution to the existing confrontation. At the same time, Russia took it upon itself to provide organizational development for the Georgian national army. Before taking this step, I thought long and hard and consulted

with many leaders of different countries. All were willing to provide aid only on the level of inspectors and consultants, but no one would undertake to provide aid in the form of armaments. Nobody except Russia is in a position today to provide tangible aid in this matter.

There are currently 30,000 soldiers and officers officially listed in our army on paper, but in reality you probably will not count even a few thousand. And nobody knows where the money allocated by the government goes.

Besides all these issues, many people want to know whether Georgia will join the ruble zone. I asked the president of Russia how he views this. His answer was straightforward: There is not much enthusiasm. It is an additional burden for Russia. Nevertheless, it was decided to set up a special commission, which will weigh all "pros" and "cons" and then will arrive at a concrete decision.

I consider it an important point of the visit that the president of Russia has accepted my "3 + 1" model for settling the Caucasus problem as a whole—creating a permanent consultative body with the participation of heads of Transcaucasus states and Russia.

Despite the opposition forces' skeptical attitude to this visit, the absolute majority of the population sees normalization of our relations as the only chance for Georgia to get out of the crisis. According to sociological surveys, 75 percent actively support our course and only 10 percent feel negative about it.

Kitovani on Shevardnadze Leadership

944K0756B Moscow KURANTY in Russian
11 Feb 94 p 4

[Interview with former Georgian Minister of Defense Tengiz Kitovani by Victor Mironov, under the rubric "Personalities;" place and date not given: "A Georgian of Pro-Russian Orientation"]

[Text] Tengiz Kitovani is truly a multifaceted man. A politician who at one time was acting prime minister; a military commander who until last May headed the Georgian Ministry of Defense; a man who has also dabbled in both sculpture and painting. In Tbilisi, though, he is known as A GEORGIAN OF PRO-RUSSIAN ORIENTATION.

In personal contact, Tengiz Kalistratovich is a very friendly, albeit reserved and laconic interlocutor. He saw me in a modest room in a small hotel located on a quiet Moscow street.

[Mironov] What capacity do you have now?

[Kitovani] I am merely a deputy to the Supreme Council of Georgia.

[Mironov] What is the purpose of your visit to Moscow?

[Kitovani] After the Abkhazian events I decided to get some rest. I went to Germany, and from there to Moscow—to see my friends, move away from political affairs, relax.

[Mironov] What is your appraisal of the recent meeting between Yeltsin and Shevardnadze?

[Kitovani] I have been waiting for this meeting for a long time. It should have taken place earlier—then perhaps we would not have had tragedy in Abkhazia and perhaps the entire country of Georgia as well. Two years have been wasted in this respect. A meeting should have taken place as soon as Shevardnadze came—or, to be precise, returned—to power in Georgia. Now it is a very belated step. With Georgia on its knees and out of the ruble zone, this rendezvous will at best result in a formal warming in Russian-Georgian relations. It is impossible to refute the fact that currently Tbilisi has suffered a complete defeat in the domestic political arena and at the world level.

[Mironov] Are there prospects for a final and mutually acceptable settlement in the Georgian-Abkhazian issue?

[Kitovani] Resolution of this problem depends to a very great extent on Russia and its policy regarding its southern neighbor. The search for a solution to the problem should have been conducted not in Geneva but in Moscow, within the framework of a trilateral dialogue. I am afraid that Abkhazia is irretrievably lost for Tbilisi. But this is only half the trouble—next is the problem of the Tskhinvali region.

[Mironov] Mr. Kitovani, what is your opinion of the Georgian leader's policy?

[Kitovani] In his two years of rule Shevardnadze has made a great many mistakes. However, the roots of the fault lie in the period when he was still a party boss. This is when active steps should have been taken toward resolving overdue problems regarding both the Abkhazian and the Ossetian people. That is, these issues have been awaiting settlement for a long time—way back under the communist regime headed by Shevardnadze. The current Georgian leader is called a reformer, although no reforms came about during his time. His policy remains the same as it was when the USSR existed. In principle, it has not changed. Shevardnadze, in particular, maintains that he has become a Christian and has forsaken communist ideas. In reality, however, he remains the same communist he has been for a long time. A man who for 60 years believed in communist ideals and principles cannot suddenly change his mentality.

[Mironov] Where do you see Georgia's political priorities at this difficult stage of its development?

[Kitovani] Historical experience shows that Georgia as a Christian state always gravitated to Byzantium. After the disintegration of the Byzantine empire the banner of Orthodox faith was picked up by Russia. I think that instead of looking toward West Europe and the United

States, Shevardnadze should have oriented himself toward Russia and walked in step with its political course. I myself have always believed in this, and therefore in Georgia I am frequently accused of being a man of pro-Russian orientation. But it is not accidental that our ancestors believed it necessary to maintain friendly relations with the Russian people. This is the policy Georgia should have conducted—seeing Russia as the main ally and friend of Georgia.

[Mironov] Whom do you respect in the Georgian political establishment?

[Kitovani] I very much like my namesake Tengiz Sigua. In my opinion he is a very smart economist and politician.

[Mironov] And in Russia?

[Kitovani] In response to this I can only express my deepest regret that Yegor Gaydar has left the Russian political scene for now.

Abashidze Control of Ajaria Assessed

944K0727A Moscow ARGUMENTY I FAKTY
in Russian No 7, Feb 94 p 6

[Article by Andrey Knyazev: "Ajaria—An Island of Stability?"]

[Text] It is midday. The city's streets are half empty. The rarely encountered passers-by are not talkative. The shelves of the state stores are pristinely bare. Bread was delivered and a waiting line formed for it. But in the private commercial stores, on the contrary, everything is available and there are no waiting lines. For a Snickers chocolate bar for your child you shell out 30,000-35,000 coupons and there goes a third of your wages. One chicken costs 120,000 coupons. The salesmen break out into a smile at the sight of Russian rubles.

The dolphinarium, once famous throughout the Union, is empty. The inhabitants of the dolphinarium were transferred to less expensive premises "until times get better"—there is no money to pay the workers and there is no one to marvel at the dolphins—few people travel to Batumi, and the local residents prefer bread to spectacles.

There are few Russians left in Batumi. People's faces are stamped with gloom and doom. The government is praised for the fact that there is no war, but otherwise living is hard. They sell everything in order to eat. They staunchly tolerate accusations from citizens of the indigenous nationality that Russia is to blame for everything. The strong and healthy have left. The weak and sick have remained.

The Ajarian militia frequently go around out of uniform; they are replaced by automatic weapons as a way of showing that a person works for the power structures. Militiamen are paid a great deal, with private merchants footing the bill. The minister of internal affairs told them straightforwardly: If you do not want the youth to get involved in rackets and robbery but rather to preserve your peace, hand over the money. With these funds they purchase rations, weapons, and uniforms.

The border with Turkey is guarded. Russian border guards rule out the possibility of the illegal passage of armed formations across it. It is possible to bring a great deal from the other side of the cordons, but almost nothing is taken out.

Only two of Batumi's industrial enterprises are operating—the heating and electric power plant and the tea packaging factory. The equipment in the shops is ancient.

The chief of the 400,000 Ajarians, Aslan Abashidze, wants to reconcile Armenia with Azerbaijan and Abkhazia with the authorities in Georgia. The peacemaker is forced to sleep with his rations and stay alert—repeated attempts have been made on his life. In a KGB solitary confinement cell sits a person who was promised an immense sum for Abashidze's head in Tbilisi. But he himself had to make a confession since he considered "Mr. Aslan" to be a national hero.

Members of the Ajarian government travel throughout the world and they have a great deal about which the rank-and-file resident can only dream. But at the same time they work 15 hours a day. They say about themselves that their death sentence has been signed in the event that Abashidze leaves—both opponents in Batumi and ill-wishers in Tbilisi are thirsting for their blood—and too many of them want to live a free and easy life and have power in their hands. Simple people do not have time for that. City dwellers are being fed by their soft-hearted relatives from the villages. Ajarians dream about receiving their wages in Russian rubles and they were glad when Georgia entered the CIS. But certain of them still consider Russia to be to blame for all their problems.

For peace and tranquility, even if it is under the roar of automatic weapons, they thank Abashidze and Turkey, with which they have good relations. Customs officials of the Ajarians and their neighbors are living "in harmony."

There is almost no theft in Ajaria. Of the six motor vehicles driven away during the past year, four have been found. Is everything tranquil in Batumi?

ECONOMIC AND SOCIAL AFFAIRS

Economist Popov Assesses Reform Course

944K0724A Moscow ARGUMENTY I FAKTY
in Russian No 7, 8, Feb 94

[Two-part interview with economist Gavriil Popov by unidentified ARGUMENTY I FAKTY correspondent under the rubric "Political Forecast"; held at the ARGUMENTY I FAKTY editorial office; date not given]

[No 7, Feb, pp 1, 3]

[Part 1]

[Text]

Where Will We Be in One Year?

The well-known politician and economist Gavriil Popov recently visited ARGUMENTY I FAKTY. Today we are publishing the first part of a conversation with him.

[ARGUMENTY I FAKTY] At this time everyone expects inflation to increase and is trying to salvage his small savings somehow. As an analyst, do you allow for the further siphoning in of currency and hyperinflation?

[Popov] There will be no hyperinflation. I believe the concept of manipulating paper currency to be brilliant. On one occasion, Keynes was asked to outline the essence of his teachings in an easy to understand manner, and he narrated: "Someone manufactured a counterfeit dollar and bought meat with it. The butcher paid a greengrocer for carrots with his dollar. The greengrocer paid a tailor. The tailor paid a watch repairman. It reached a physician, who did not intend to spend the dollar and took it to the bank. At the bank it turned out that the dollar was counterfeit. Subsequently, everyone began to return this dollar to one another, and it went back to the manufacturer of the counterfeit dollar. He gathered together all the participants, 15 people, and said: 'It is true that the dollar is counterfeit. However, each one of you got 10 cents of absolutely real profit on this counterfeit dollar. In total, you got 150 cents of absolutely real profit. Let us cover the counterfeit dollar with 100 cents from these profits, and it will become real. As far as the 50 cents is concerned, split it among the 15 people and everybody will still have a profit.'" In essence, if the circulation of deceptive, inflationary paper money yields profits that exceed the volume of emission, nothing horrible happens. F. Roosevelt carried this out in reality in bringing the United States out of the Great Depression. Therefore, even if emission increases, nothing horrible happens as long as circulation together with profits exceed this emission. Danger looms when, in conventional terms, two rubles [R] are issued while only R1.5 in profits is generated; then currency depreciation begins.

If even a deceptive instrument energizes the entire economic circulation, it ultimately becomes something

real. However, the state should still control the volume of inflation. To this end, we should have a cerebrating and wise government which is capable of taking risks, that is, completely different people.

[ARGUMENTY I FAKTY] A reader wrote to us: Let us collect what foreign exchange remains and buy a wise government abroad.

[Popov] A wise government for Russia cannot be found abroad.

[ARGUMENTY I FAKTY] To your mind, what is particularly dangerous for our government?

[Popov] The pattern of forming the government that has been accepted is the most dangerous. People allegedly representing parties have become members. They belong to the government, but they do not intend to be responsible for the actions of the government. Everyone pulls his own way, like the swan, the crawfish, and the pike in Krylov's fable. I believe that Chubays may be a member of the government, but not as a representative of Russia's Choice. The same is the case with Shokhin and everyone else. There may also be a second variant: the government consists of party representatives. Shokhin represents the PRES [Party of Russian Unity and Accord], Chubays—the Choice, but then it will be a coalition government rather than Chernomyrdin's government. In this case, all the factions in the Duma must be responsible for it. What is happening now? There is a government, to which these people belong, and in the Duma they intend to sign a collective document aimed against this government! This is the most horrible thing. This cannot be allowed to happen.

[ARGUMENTY I FAKTY] Still, if it were up to you, how would you form the government?

[Popov] The government will not be able to carry out any fundamental reform in the two years until new elections. This is why from the very beginning I would consider our current government to be **transitional**. It should prepare the premises for the next four years. It should primarily cleanse the country from the most scandalous consequences of Gaydar's, Fedorov's, and Chubays' shock therapy and mainly resolve the issue of taxation. Have you not filled out a declaration yet? This is what it indicates: for example, workers must pay a tax if an official bus takes them to work. A veteran who retires and receives a benefit is also taxed. They have not yet resolved to tax the voucher, but as soon as you buy shares with it, you are taxed. Even if you do not receive profits from stock, changes in the price of stock also constitute income and, therefore, are taxed. If they got you a newspaper or magazine subscription at work, this is income, and you pay tax. If a theater ticket was purchased for you or if there was a collective visit, you pay tax. One gets the impression that the impoverished officialdom must fleece the country to the hilt in order to raise the minister's salary by a factor of two. As far as people in the creative arts are concerned, this is an outrage pure and simple.

[ARGUMENTY I FAKTY] Gavriil Kharitonovich, you are a radical politician, but for some reason you did not support the shock therapy of Gaydar's reforms (although Gaydar believes that he has not yet reached the shock). Why?

[Popov] Shock therapy was in the interests of not only the West but also the Russian bureaucracy. It would never have been implemented here had this not been the case. If there is anyone who did not agonize over the shock, it is Yegor Timurovich. I think he was ready to go for the shock until the last Yeltsin voter.

[ARGUMENTY I FAKTY] However, as steadfast reformers are trying to convince us, privatization has won, and a return to the old times is not possible.

[Popov] Privatization as such does not resolve the main issue. Private property has been present in the history of humanity for 2,000 years. However, it became the driving force of progress only in the environment of free competition which was created by capitalism. Under feudalism there was the feudal lord, who was also the landowner. However, he did not have competition, and there was no incentive to improve the state of affairs. Privatization should proceed to the extent to which a competitive situation is created thereafter. If you have one plant in the entire country, the situation will not improve but will rather become more dangerous because we proclaim it to be private. After all, when a state-appointed director is ensconced, he is dependent on the state; he has no great interest in maneuvering. Imagine now that we have a private owner here. For example, can a state-appointed director allocate R5 million for a bribe? No, he has to report. The private owner may do so freely if this holds the promise of R15 million in profit later. Monopolies with private owners are a horrible thing. Please recall that antitrust laws have been passed in the United States, whereas we left everything to its own devices. We should abandon a monopolized structure. This means very large expenditures. Enterprises must be converted into joint-stock companies so that employees will share in the profits and be better motivated. However, enterprises may not be made private.

[ARGUMENTY I FAKTY] If we look a little ahead, how do you see our society precisely a year from now?

[Popov] There is a specific scenario. First: the president makes a decision, but the Duma does not poll 50 percent of the vote for it. Therefore, the decision is rejected. Or the Duma makes a decision, the president fails to sign it, the proposal is returned to the Duma and fails to poll two-thirds of the vote—likewise, the decision is not passed. This adversarial scenario must end in the dissolution of the Duma. Since by that time the Duma will have been working for a year, the president will have the right to do this (as early as January). A second version: the Duma, the president, and the government begin to operate making an effort not to get involved in conflicts among themselves. I do not think that this is going to be very effective because all structures feel uncertain. The

president and the Duma know that elections are coming in one and a half years, and the government knows that a new president will need a new Duma. Therefore, their entire activities will amount to a game of "short-term gains." That is, they will implement a set of measures so that their effect will be felt within three to seven months. In this case, this may be used in the preelection struggle. They likewise cannot do anything radically bad in this mode because it will also be used in the preelection struggle. From the point of view of tranquility, this is a normal scenario. From the point of view of reforms, this means slowing down the pace.

The third scenario: all of them will adhere to the same strategy, but do work to be built on in the future. I would consider this scenario to be the best.

[ARGUMENTY I FAKTY] Will Yeltsin still be president a year from now?

[Popov] Of course. After all, he wants to be reelected yet again. If we do not proceed from that, I cannot explain his actions otherwise.

[No 8, Feb, p 3]

[Part 2]

[Text]

The People Do not Want Any Shooting

The motion picture "Repentance" has a scene in which an old woman asks whether this road leads to the temple, and she is told: "No, this is Varlam Street, it cannot lead to the temple."

[Begin Popov commentary]

The December elections showed that those who voted rejected the version of reforms that was proclaimed following August 1991. Although until then the "top" had maintained that the chosen model was the right one and that the people supported it. But it became clear in a matter of hours here that the country was opposed. To formulate it concisely, this was the road of the post-August Boris Nikolayevich which also "did not lead to the temple," just as that of Mikhail Sergeyevich had not. Is this a tragedy or a success? A success, I believe. Had we dragged out this process, the next stage of the conflict would have been very grim.

In actual fact, whose election program, pray, contained shock therapy? It was in no one's. Whose program contained the abolition of the USSR? No one's. Whose program contained the fact that governors, mayors, and so forth, would be appointed from the top? Again, no one had this. So that after August 1991 an entirely different concept of reforms, different from that which had gained approval at the time of the presidential ballot in June 1991, was put forward "on the quiet."

Ideas

What ideas were, in fact, adopted after August? The first idea was that Russia would pursue reforms faster and

better than the Soviet Union and that the Soviet Union was a burden. We are feeding them all, they are like stones around our neck.

Second idea. The West will give us big money so that we might pursue the reforms. It was generally believed that the West was simply dreaming of immediately rearing a new competitor for itself.

The **third idea** was that it was possible to get by with the current mechanism of power, having updated it somewhat.

The **fourth idea:** Instead of the transition to a multiparty system, the idea of depoliticization was advanced. Not only the CPSU but also all political organizations at enterprises and in the army and the law enforcement authorities were banned. The bureaucracy undertook to govern itself.

And, finally, the **fifth idea:** The national structures, which Russia had inherited from socialism, needed to adopt and conclude a federal treaty, in which there would be no Russia but dozens of krais and oblasts.

But practice has shown that since the liquidation of the USSR the republics have been warring with one another and that wars are being fought within republics among individual nationalities. Thus the premise that by removing the USSR we would be removing a delayed-action mine was not justified. Economically either.

There are things that simply cannot be valued in terms of money. One of man's basic instincts is self-preservation. People feel surer and more composed in a big state. And this compensates for both undernourishment and other inconveniences.

Why in April had the pro-president forces not yet lost, but did so in December? First, because use was not made of the results of the referendum. Second, because the people saw that they were being governed by those who might shoot. And they categorically have no desire for any shooting.

Mistakes

Our movement, the Russian Movement for Democratic Reforms, lost tactically on several counts. We believed that some bloc could be formed. I did not think that the personal interests of, let us say, Yavlinskiy, would be above common interests. We hoped to create a bloc with part of Volskiy's Civic Union also. There was one condition: I implored them to detach themselves from Rutskoy, and this meant detaching themselves from Lipitskiy. But they could not bring themselves to do so. We had, therefore, to act alone, and this was a futile undertaking. But I decided that it was better to lose but declare our independence than to do as the Republican Party did: become dissolved among the blocs.

But all the tactical mistakes in aggregate do not cover up the main mistake—strategic. Yes, after August 1991 and the choice of new policy I realized that the electorate

would run from the government fronts. That we needed to create the RDDR [Russian Movement for Democratic Reforms] as a defensive line, which would halt all these fugitives and attract them to itself. I quit the office of mayor—this was all correct. But I made a mistake. First, we erected this defensive line too close. **The people were running past, bypassing not only us but Volskiy and Travkin and even the Russian Communist Party, and running up to Zhirinovskiy.** Second, I had assumed that there would be both flight and confrontation at the presidential elections. I was thrown off in my calculations by the April referendum, and I underestimated the scale of the impact of October on people's minds. I believed that the people would still show patience—this purely Russian trait. Had we allowed for the fact that there would be a confrontation with the government model of reforms in December even, the RDDR would have gone to the elections aggressively and on the offensive. We proceeded, however, from the idea that the people would vote for the presidential-government party and that we would remain, as before, the opposition. But we should here, apparently, have emphasized all along the line not opposition but confrontation. That is, we should have played an entirely different game.

Shock Therapy

It meant that we would start to live according to the plan of transformations formulated for us in the West. The West itself, however, has not employed this plan, no developed countries have ever resorted to it. It is what they have recommended for export, to backward countries. We will admit you to our table only as second-rate partners. But account was not taken of the opinion of our people, who could put up with and agree to a great deal more in order to remain among the leaders. This is a particular historical feature of theirs.

Shock therapy did not come off for the following reason also. **Power after August was a bloc of two bureaucracies: young and old.** At the first stage the tone was set by the young bureaucracy. What suited the old bureaucracy in the shock therapy, on the other hand, was the fact that property would be shared out under the control of the apparatus. But when the speed of the reforms increased, it transpired that the "old men" were still not prepared for it. They (as distinct from the young ones) are realists and had a presentiment that were they to openly purchase a plant, the workers would kick them out of this plant. They understood that, before buying the plant, they needed to control the militia and the public prosecutor's office and to have their own judges. But there was as yet none of this. They were opposed, therefore, to the pace that had been imposed by the shock therapy. Nor did the ideology of shock therapy rule out the fact that the purchasers would be foreigners, who, with the current value of the dollar and the ruble, would buy up many plants here. This did not suit the old bureaucracy either.

And the final—social—aspect. Shock therapy proceeded from the idea that the people should themselves pay in

full for all these problems of transition to the market. It was a plan whereby a large part of the people would pay for the whole of the past in full while the other part would at this time obtain the privileges.

Power

I consider the presence of stable power to be the most important thing for the reforms. No one will invest money and no one will work until stable prospects appear.

How was the stability of power in Germany and Japan secured? Stability was secured by two conditions: there was in both places the American Army. There were elections, but such that Adenauer was in power in the FRG for 20 years, and in Japan the Liberal Democratic Party has governed for 40 years. Things could calmly be seen through to a conclusion. In South Korea or Chile stability was embodied by a military dictatorship. In Spain, by a constitutional monarchy.

None of these options would do for us. Military dictatorship in a multinational state is an impracticable thing. We had an opportunity to take the Chinese path, in the event of the CPSU finding within itself the powers to reorganize. It would have been a guarantor of stability. But we did not take this path. American Army options would do even less. **In my opinion, we are left with just one option: seeking a version of a coalition of political forces. This would be a center agreement. And this coalition should agree within itself on the main lines of the transitional period.**

I believe that two categories of people should be a part of the government. **Those who are capable of creating a long-term program** (if Gaydar has been removed, and he was a person of conceptual thinking, Yavlinskiy, who can create long-term programs, needs to be brought in, consequently). **And those who can pull the cart.**

I believe that the president needs to put some distance between himself and the government. We have too big a country, we cannot permit such a concentration of power—all for the president. He should appoint the prime minister. And that is all. He should not be involved with either ministers or programs. He should remain aloof and be a guarantor of the reforms. And replace in good time a government that has realized part of the set of problems by another that could go further and realize the next stage.

Former Minister Fedorov Scores Government

944K0725A Moscow ARGUMENTY I FAKTY
in Russian No 7, Feb 94 p 3

[Interview with B. Fedorov, deputy of the State Duma and chief of the subcommittee for the credit and monetary policy of the Central Bank of Russia, by N. Zhelnorova, under the rubric "After the Scandal"; place and date not given: "Who Stole Our Wages?"]

[Text] Former Minister of Finance of Russia B. Fedorov answered questions put by N. Zhelnorova. Currently, B. Fedorov is a deputy of the State Duma and chief of the subcommittee for the credit and monetary policy of the Central Bank of Russia.

[Zhelnorova] Boris Grigoryevich, many people cannot stand the sight of you because you deliberately delayed the payment of wages in order to ensure an "artificial" reduction in inflation.

[Fedorov] This is a lie, an attempt to cover up their inability to manage the economy. The government made decisions to spend funds that were not envisioned in the budget and, consequently, were illegal. Most decisions were made contrary to the Ministry of Finance.

[Zhelnorova] Why was it happening?

[Fedorov] Because our bosses on high believed that it was enough to write on a piece of paper "the Ministry of Finance shall procure" in order for it to definitely "procure" the funds. In no country can an official spend even \$100 as he sees fit. Everybody knows from his everyday life that he must live within his means. If you have 100 rubles [R] in your wallet, you may spend more only if you obtain credit. Meanwhile, trillions of rubles are spent in our country without detailed calculations. The government believes that it may spend as much as it wants, and since nobody will extend normal credit to it, it will simply print more money. However, plucking more money out of thin air does not mean that more goods have appeared. If A. Zaveryukha's wife begins to spend money based, in a way, on twice the amount of his salary, he will soon remind her that he has only one salary, after all. However, he acts in the exact opposite way as far as the country is concerned.

We pursued our financial policy in 1993 based on the target of credit outlays that had been approved by the government. However, it was also exceeded by a great deal. Enormous unexpected expenditures arose—for the elections and the referendum, repairing the White House, and so on.

[Zhelnorova] You have come down hard on your opponents (or adversaries) because they want to extend credit to the agrarian sector. However, it was indeed not fair: to promise the peasants to pay for grain, and later not to pay, just like petty swindlers.

[Fedorov] Believe me, nowhere in the world does the state procure grain! Our rural "barons" first pushed through an enormous state order for grain without regard for the financial potential of the state (in July 1993, under pressure from Zaveryukha and Starodubtsev, our prime minister approved the procurement price for grain at the world level, although there was no money). Later, the "barons" began to demand that the "debts" be paid back. Hence the busting of the budget and the ridiculous position of both the prime minister and the minister of finance. However, the "agricultural barons" are now demanding state orders for 1994 once again! Wages in

sectors financed from the budget are indexed similarly. Indexation announcements are always backdated, although it is patently clear that there is no money and a delay of one to three months is a virtual certainty. So, a pay rate agreement with the coal miners has just been signed. The absurdity of such agreements has been discussed many times. Wages are not paid; subsidies are illegally spent for purposes other than those envisioned. To cover up mismanagement, the bosses are now forced to print additional money, thus stimulating inflation. Ultimately we will pay for such irresponsibility out of our own pockets. Financial discipline, which means living within our means, as well as responsibility and control—this is the reform we need more than anything.

[Zheldnorova] Do you sympathize with the prime minister, who has given up a strong minister of finance?

[Fedorov] Chernomyrdin's current task is to play into the hands of the Agrarians and the Communists, to squeeze "youngsters" out of the government, and to begin doing everything his way. However, he does not understand that the economy cannot be made to work by administrative methods. Indeed, I agree that Chernomyrdin and his new team are good managers, but within the framework of a large enterprise. But Russia is not a Gazprom. In this instance, one must know about and understand the connection between the exchange rate, inflation, and the growth of production.

[Zheldnorova] Some people from your team maintain that everything in Russia will explode three months from now.

[Fedorov] I think it will not be three months but rather six. There are economic laws that are impossible to circumvent.

However, I do not intend to foretell a collapse; this is pointless, all the more so because we do not yet know what kind of policy there will be. For now I do not consider myself in opposition to the government. It is another matter to have apprehensions (90 percent) about the government opting for another path which is worse for Russia.

Of course, if we analyze the composition of the government, there are few genuine reformers there, except for Chubays (and then it is not clear how long he will hold on). Shokhin is a turncoat, a person who likes sitting down with the prime minister for hours. He will make it to the position of minister of defense. I brought in Dubinin, who has now been appointed acting minister of finance. However, I am not sure whether he can stand up to the wave of pressure being brought to bear on him. (My uniqueness was found in the fact that I could tell anyone to "get lost," while some people, such as Lobov, could not get through to me on the phone at all. I was not inclined to allow the compromises which Gaydar continuously allowed to occur.)

[Zheldnorova] Once again, your departure was associated with a scandal. How did it happen—viewing the event from the inside?

[Fedorov] When Chernomyrdin saw through our subterfuge and ruses associated with conducting financial stabilization (the Ministry of Finance alone fought everybody), I understood that the time for compromises was over, that is, they would cross the critical line after which you lose respect for yourself. This is why I decided to quit. I do not want to be a commander without an army. Having become accustomed to my quite extensive role in the financial policy pursued, I could not allow someone to order finances about while Fedorov was alive (as minister).

[Zheldnorova] What would you advise the president to do? What are your "three cards?"

[Fedorov] First: Always adhere to the same course. Second: Put together a homogeneous government. Third: Think about succession of power.

Fedorov Comments on Financial Policies

944K0744A Moscow LITERATURNAYA GAZETA
in Russian No 7, 16 Feb 94 p 10

[Roundtable discussion with Boris Fedorov, former deputy prime minister and minister of finance of the Russian Federation, recorded by Grigoriy Tsitrinyak under the rubric "Club 206," at the LITERATURNAYA GAZETA editorial office; date not given: "Boris Fedorov: 'No More Programs Are Needed—Ever!'"]

[Text] A. Udaltsov, LITERATURNAYA GAZETA editor in chief, Boris Grigoryevich, my first question is associated with the current array of political forces. Well, it is understandable that your opponents criticize you. However, here is Kozyrev stating that to him, Chernomyrdin is a reformer just like Gaydar. Popov stating that Gaydar's course was too pro-Western, Luzhkov stating that the last two "years of Gaydar" were an economic failure, Shokhin....

B. Fedorov. There already is complete clarity as far as he is concerned....

A. Udaltsov. So, what is happening?

"Red Economic Managers"

B. Fedorov. Everything is far from unambiguous. They talk about the "Gaydar government." However, Gaydar was not a member of the government between 12 December 1992 and 16 September 1993. After 16 September he did not actually take any action. It is just that for some reason everybody got the impression that he was prime minister all that time, and that Chernomyrdin in a way had no part of it. What policy did the government pursue, and what is reform?

So, if you back 10 ministers against the wall somewhere and ask them to name at least five points which are

characteristic of the reforms, I assure you that some might not answer at all, while others will merely repeat "reform! reform! reform!" This is why I would answer this way: Many of the people who were and still are members of the government had nothing to do with either the reforms or the policy pursued.

Aleksandr Nikolayevich Shokhin is the most vivid case in point. He was a member of Silayev's government in its time, and later successively deputy chairman for social issues, deputy chairman for foreign economic relations, and now minister of the economy; he is fighting to have the Ministry of Foreign Economic Relations also subordinated to him. The Federal Service on Hydrometeorology and Environmental Control or the Ministry of Education may be next up, and I would not be surprised because he has no clear-cut course, to say nothing about reformism.

I have known Kozyrev for quite a long time: I came to the Silayev government just before him. My impression is: He believes that foreign policy can be separated from domestic policy. I am absolutely convinced that the opposite is true. If a turnaround begins in the country, considerable changes will occur in foreign policy, too. Of course, it is possible that he will turn out to be so flexible as to consider any change normal.

There are a great number of purely functional specialists in the government—on transportation, etc. Naturally, they also never had anything to do with the reforms. When Gaydar came in 1991 he began, having secured the support of the president, to follow, essentially alone, a certain course which turned out to be short-lived because in the middle of 1992 it became different.

I had only one task: A hard ruble was needed, and there was no escaping that fact. Financial discipline was needed. Prices had to be free, and the exchange rate had to be determined by demand and supply on the market. One did not have to be a prominent economist in that instance. The main point was to pursue a certain policy consistently. As long as Chernomyrdin was in a state of bewilderment over what economic policy in a market economy is, this was successful.

However, in the summer of 1993 Gerashchenko pushed through monetary reform. He did it professionally: He put us off guard by statements that the currency would be exchanged until the end of the year, I went away on leave, and he struck a blow. It then became clear that adherence to reforms proclaimed by Chernomyrdin was a disguise, that he never considered broadly interpreted reforms his own.

At present, "Red economic managers" play the leading role in the government; the prime minister himself has said today that he is proud of being a "Red director." The problem is that while they are experienced politicians, they do not know about the economy. To them, it is a different life. They do not understand it.

I assure you that had it not been for the September events, the things that happened this January might have happened in September and October, because even then plans existed to squeeze certain people out of the government, to reduce their status, and to regroup forces. Individuals such as Shakhrai and Shokhin, all their desire to display loyalty to the prime minister notwithstanding, will always remain outsiders in the government no matter what: they are not "Red directors." Shokhin, with his cozy thick glasses, will forever give the impression of an intellectual who is meddling in someone else's business. There will be more verbal glitter.

So, I was in Davos in conjunction with the prime minister, who swore everywhere that he would combat inflation. However, given that on 20 January he said that his target for the end of the year was 8-9 percent, and on 25 January that the target already was 15-18 percent, the common man is compelled to ask: When did he speak the truth? And what kind of policy is being pursued?

Look at just one problem—the savings of the population; not one of the "Red economic managers" discusses it at all. Meanwhile, this is the most important indicator of the health of a country. A state is doomed if the population has nothing and cannot save up. If there are savings that grow in real terms, the country has a future because there is a foundation for investment, for the extension of long-term credit, and for the expansion of production. In our country savings had been declining for two years, but began to grow in real terms in November and December. To be sure, the trend has now changed.

So that I finish my soliloquy, after all: At present, everyone is tired of everything. How many times can we restructure? How many times can promises be made? Many people have begun to talk about unity and accord: Let us come to an agreement, they say, and it will be better for all. Or let us unite with Belarus—and prosperity will come about right away....

O. Moroz, member of the LITERATURNAYA GAZETA editorial board. For Belarus, that is....

B. Fedorov. Maybe for Belarus. The events that happened in January do not allow even the relative success that has been achieved to be built on. In January the rate of inflation was not supposed to exceed 15 percent, whereas it was at 22 percent. This is just the beginning: Judging by the latest reports from the government, the Ukrainian scenario is drawing ever closer to us. Another two or three unifications of monetary systems—with Georgia, Tajikistan.... I think that Kazakhstan and Uzbekistan will not be far behind—everyone wants to get at least something....

Mr. Gerashchenko's Scalp

Yu. Kulikov, LITERATURNAYA GAZETA deputy editor in chief. In the State Duma you were elected

chairman of the subcommittee that will oversee credit and monetary policy. You will get to draw a lot of Gerashchenko's blood....

B. Fedorov. You see, I am a fatalist in the sense that I believe the progress of history cannot be stopped, and Mr. Gerashchenko's scalp will one day hang on the wall and adorn my house. Carthage must be destroyed. There is no doubt that he is a talented man. He is neither a central banker, because he does not understand what he is supposed to do, nor an economist, because he does not know elementary things about monetary circulation in a market economy. He is a man who managed to live abroad for 15 years and failed to understand how the economy works there. Incidentally, he did not manage to learn the language properly, either. However, he is talented in terms of his bureaucratic conditioning; he has already survived several regimes, and he always has a paper with the right endorsement.

I think that my position will be very simple: We will begin to hold hearings in a fundamentally different way from that of the former Supreme Soviet, conventionally speaking, the way they do in England. We will word 300 or 500 questions and demand answers in writing. Thereafter officials from the Central Bank will answer questions, this time before the subcommittee—just as in the U.S. Congress, very quietly and amicably. After all, we are a legislative organ, and we cannot determine the policy of the executive authorities. However, we have a duty to know what goes on in the Central Bank.

Naturally, I am extremely interested in the balance sheet. The bank was actually created in December 1990, but no one has seen the results so far. In the existing report there are a few lines about the balance sheet at the very end, on one page. However, when an international auditor writes in his statement that he does not understand many things about the Central Bank, and that he does not assume responsibility for saying that everything in the bank is correct, these are very sophisticated words to the effect that a lot is incorrect there.

A. Udaltsov. Now that we have you here, could you sketch the "banking landscape" for us and name the most respectable banks?

G. Tsitrinyak, LITERATURNAYA GAZETA commentator. Such advertisement is expensive....

A. Udaltsov. Those with integrity will pay later. *(Laughter).*

B. Fedorov. In terms of the level of development, the banking system is ahead of many economic sectors. Previously it did not exist, there was a niche. People came there who for the most part had not been bankers in their earlier lives. Gusinskiy of the Most was a director; Khodorkovskiy of the Menatep was a chemist; Petya Korotkov, with the Russian National Bank, worked with us at the DENG I KREDIT magazine; I remember taking an article to him. Certain others.... People came in who did not have any dogmas and

managed to get the system going astoundingly fast: At present Russia already has about 2,000 banks with 4,000 branches.

I think that the banks will begin to play a quite conspicuous role. All of them, especially the large banks, take an interest in politics. All of them already have something to lose if we recall that some balance sheets already exceed \$100 million, and the opening of each branch, for example in Moscow, costs \$1 million at minimum.

As I see it, there are not that many truly powerful banks that one can work with—between 30 and 50. During the past year the Ministry of Finance worked with 15-20 banks, and among them were the Most, Stolichnyy, Inkombank, and Menatep. There were also smaller banks—the Tveruniversalbank, the Russian National Bank, and a number of banks such as the Tokobank. These banks, whether one likes them or not, are quite reliable; they will not disappear soon. I also like the Tekhnobank headed by Garegin Tosunyan very much; it impresses me because it tries to think about the entire country instead of being wrapped up solely in its own problems.

Yu. Kulikov. As you see it, why are bankers being killed?

B. Fedorov. Not just bankers—if you have a lot of money and this becomes common knowledge.... However, there is one nuance in this instance: There are quite a few people in the banking community who are entangled in affairs that are hard to call legitimate.

O. Moroz. You are seconding the dangerous point of view of the Ministry of Internal Affairs—that only those involved in criminal pursuits are being killed, they say.

B. Fedorov. No, I am not seconding it. I merely said that this is also a fact. A large enough number of banks which were tied to groups of a particular kind have recently closed—this is also a fact. It is another matter that the law enforcement organs operate so inefficiently.... Here is an example: Everybody agrees that corruption is on the rise. However, who has been put behind bars in the last three years? Name them—it is just that I am interested to know.... Or taxes: It is clear that the revenue is small, that profits are being concealed. I called in the tax police and asked them when we would hold at least a few well-known individuals accountable....

S. Oganyan, LITERATURNAYA GAZETA commentator. Did you name names?

B. Fedorov. I hinted. *(Laughter).* So what? Nothing happened.

An Interesting Detail

G. Tsitrinyak. Effective 1 January, the circulation of foreign exchange in parallel with the ruble was discontinued. At the former foreign exchange stores they now put prices on the merchandise in dollars, take payment in rubles, and set their own exchange rates. Here is an

official summary report for 7 February from the newspaper SEGODNYA: The ruble-dollar exchange rate at the "Shop No. 1" store—1,880, and at the "NBM"—1,555. For reference: On the same day the exchange rate of 1,560 rubles [R] to the dollar was fixed at the trading session on the Moscow Interbank Currency Exchange. What is all this about? Did they fail to envision that the exchange rate at foreign exchange stores may differ from the rate at the trading session by more than a few percentage points? Did they officially authorize robbery?

B. Fedorov. As early as 1991 I told Gaydar's guys that elementary rules should have been introduced at first when currency exchange bureaus opened in a country lacking culture in certain operations, in a country that had monopolies. Say, the selling rate of foreign exchange in exchange bureaus or shops should not have exceeded that on the exchange by more than 5 percent. We proposed this, but it was not accepted. However, the Central Bank may introduce this within three seconds without a problem.

G. Tsitrinyak. Then why has the Central Bank not introduced it so far? After all, shoes can wait, but when one needs drugs....

B. Fedorov. I would undertake to put this question to Gerashchenko.

O. Moroz. What do you think about the nonpayments crisis, and what way out do you see?

B. Fedorov. One should not promise more than one has. In this instance, no knowledge of monetarism is required. The unpaid sums are a myth which is associated with one point: If the president and the prime minister of a state consider it possible to spend as much as they want and for whatever purposes they want, apart from the approved budget and its items of expenditure, the budget will certainly be busted.

I even tried to explain to the government: "If you go shopping you cannot spend more than you have in your wallet...." Meanwhile, the state considers it possible to live any which way. Agrarian lobbyists forced through the grain price, plus repairs to the White House, plus 250 billion for the elections, and so on, and so forth. The Ministry of Finance had not built all of that into the budget. Naturally, there was no spare money; it was taken away from someone.

Besides, to a considerable degree, legislation made it possible not to pay; there was no mechanism for bankruptcy, nor were there bankruptcies. Not a single director was relieved.

In general, the lack of an industrial policy was the greatest mistake of the year 1993, just as it is now. There were many industrialists in the government, but there was no industrial policy because everybody wanted to work on finance and ask for subsidies. In essence, those who are received by the president and the prime minister

are the directors of the largest bankrupt enterprises: Peskov from the Rosselmash or Gulko from the Metrovagonmash.

Here is an episode: The director of a bankrupt enterprise came in and narrated publicly that he had consulted with the president in the company of those as bankrupt as he was, and communicated to me confidentially: "In general, we will have you removed, but we have not found another candidate yet. And we will demote Chubays...." For some reason they do not consult with the Uralmash—private capital has come along there.

O. Moroz. Therefore, do you think that the clamor in the press on account of nonpayments is not commensurate with the situation?

B. Fedorov. Of course. To a considerable degree the clamor is a continuation of corporate behavior and lobbying efforts.

D. Molchanov, LITERATURNAYA GAZETA commentator. Some time ago Gerashchenko's deputy Solovov stated that the Central Bank issued R 11 billion in cash to the government on the night of 3 October. What money was it and where did it go?

B. Fedorov. They did not issue anything to us. Chernomyrdin had a question: Everything could have dragged out—fighting was underway, banks were closed; people had to be fed, but nobody gave anything for free. It would have been good for the government to have a certain reserve of, specifically, cash. It turned out that the government and the Ministry of Finance did not have a thing. Then we decided to officially withdraw from our account—that of the Ministry of Finance at the Central Bank—a certain amount of cash. Of course, that night nobody was there at the Central Bank. Commercial banks in which we had accounts helped: After a single telephone call they brought 10 billion. We held this money until the end of December, when I decided thus: Why would it sit here and bear no interest—and we returned it.

I. Rishina, LITERATURNAYA GAZETA department editor. Today's MOSKOVSKIYE NOVOSTI carries an interview with Shakhray, and these words of his are made into the headline: "...As far as the prospects for Gaydar and Fedorov, I think that they are gone from the government for a long time, not likely for good...." What does he mean? That you are gone, and that the era of Shatalin plus Abalkin, who it seemed to me could have never united, has come?

B. Fedorov. Serezha Shakhray was a good guy.... Personally, I am truly pained by the strange behavior of Mr. Shakhray, whom I always considered to be one of the sober-minded individuals. His alliances with certain people, his bowing down to the policy against which he had come out.... My impression is that he has lost his bearings, and is now grasping this fact with difficulty.

Those who have seen the academicians' program know that it does not have a single specific proposal. I have not yet read Glazyev's program—the hearings are tomorrow. I have just met the author and said: "Greetings, ideological enemy!" (*Laughter*).

L. Velikanova, LITERATURNAYA GAZETA commentator. Is there hope that the current situation may end in some civilized way, or does a civil war or a military coup await us, as many people predict?

B. Fedorov. I do not believe in a military coup. However, it is unavoidable that the situation will worsen. I think that yet another experiment will be conducted—reform "Red economic manager"-style. Many programs will appear, although no more programs are needed—ever! After all, the entire program may fit on three pages: What are your priorities? What tasks do you set with regard to savings, the exchange rate, the interest rate, the growth of the money supply, and labor productivity? With regard to the real income of the population and the consumption of foodstuffs? That is all! I do not need anything else: We will proceed from this in solving the problems of unemployment and other problems.

Yu. Solomonov, LITERATURNAYA GAZETA deputy editor in chief. I do not believe that Gerashchenko's scalp can be your final objective. In this case, in the name of what do you work?

B. Fedorov. I want major changes in the economy to occur in my country. If only we had overcome inflation and begun to develop quietly.... I think that after everything had been set right it would no longer have been interesting for me, and I would have left for an investment bank—to make money.

O. Moroz. At some point will you raise the issue of confidence in our glorious government in the Duma after all?

B. Fedorov. There should be weighty grounds for this, for example, the psychological barrier when inflation reaches 30 percent. You will see that the attitude in society will change then.

A. Udaltsov. Should we perhaps finish on this note? Thank you for making it here, to us. It is even more interesting for you to come "out of office," because "in office" you need to restrain yourself somewhat on occasion.

B. Fedorov. Of course, in that case I would have gone easier on certain names. (*Laughter*). However, here is yet another interesting detail in conclusion. I quit the State Bank, and the chairman was removed. I quit the Central Committee—the secretary for economics was removed. I quit the Silayev government—Silayev was removed one year later. I quit the European Bank for Reconstruction and Development—Jacques Attali was removed. I have now quit the government.... (*Laughter*).

Yeltsin Experts on Future Orientation in Economy

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[Article by Viktor Krivov, acting leader of Russian Federation president's expert group, under the rubric "Reform and Prognosis": "With An Eye to the Future"]

[Text]

The Situation in the Economy

An analysis of the economic situation in Russia will produce few consoling results so far. The year 1993 really was not one of stabilization.

There are many reasons for this. The absence of a broad segment of property owners in the country had its effect. Another factor was the extremely low level of enterprise investment activity caused by the high inflation. Producers found it impossible to recover from the collapse of trade with the CIS countries.

As a result, the production of products of industry and agriculture in 1993 amounted to only 84 percent and 94 percent of the preceding year's, respectively. The volume of cargo shipments dropped by almost 30 percent. Consumer prices rose more than 10-fold and retail commodity turnover decreased by 6 percent.

Still, these indicators are better than the ones for 1992. In terms of the absolute majority of parameters the recession is slowing, and the rates of inflation have decreased by more than half. Prognosticatory indicators of the development of the economy in 1994 obtained by the government of the Russian Federation show that stronger tendencies toward stabilization have been observed.

According to predictions, in 1994 inflation rates will drop by half, the decline in the volumes of industrial production will be only 6 percent, with more than twofold—in light industry, the volume of investments will stabilize, and the federal budget deficit will not exceed 6 percent of the gross domestic product.

Thus the new type of economy that has developed during the years of reform is beginning to settle into a stable operating routine, although still with certain interruptions. Primary transformations have been carried out, which have made it possible to create the foundations of a market economy to replace the administrative-command system.

But the modern Russian market is still imperfect in many ways. On the one hand, the roots of the administrative system have remained—there is an extremely strong dependence of enterprises and entrepreneurs on decisions of bureaucrats. On the other hand, many of the worst features of a market environment are appearing. These include, above all, the lack of real legal protection for citizens and enterprises and the lack of responsibility

on the part of participants in economic activity to their partners, consumers, and the state.

Today, now that the primary reforms have basically been completed, it is necessary to earmark new points of reference for work for the restoration and development of the Russian economy in the immediate future.

Putting Economic Legislation in Order

One of the major priorities, in whose realization the Federal Assembly will play a special role, is to eliminate the chaos in economic legislation and the practice of its application, which plays a large negative role in the development of the crisis. The lack of the necessary laws, disparate and contradictory acts, and constant revisions of previously adopted decisions make it impossible for industrialists and entrepreneurs to work normally.

The practice of adopting special decisions regarding individual branches and enterprises is having an extremely negative effect. It violates the unity of the economic mechanism, gives rise to bureaucratic omnipotence and corruption, and perverts the motivation for the operation of the enterprises (not work but consumer demand and "pushing through" advantageous administrative decisions become the main focus).

Finally, there is no real responsibility on the part of the enterprises to their partners, clients, and the state. It is necessary to create an effective and rapidly functioning mechanism for judicial resolution of economic disputes and, the main thing, provide for implementation of decisions that are made.

The essential needs of a rapidly changing economy require continuous improvement of economic legislation. But it is necessary to achieve good structure and eliminate contradictoriness of the legislative system and to get away from the chaos in the adoption of normative acts.

The following should be included among the legislative acts subject to adoption in the near future:

- A new civil code.
- On the state budget of the Russian Federation for 1994.
- On the interaction of the budgets of various levels.
- On a change in the country's tax system.
- On a three-year moratorium on making changes to economic and legal legislation.
- On mechanisms and guarantees of repatriation of the profit of foreign investors.
- On mandatory auctions when the state grants export licenses, rights to work deposits of minerals, rights to fulfill certain state orders and functions, and other property rights.

—On concessions and other kinds of leasing of state land and mineral and other resources.

—On state credits (privatization, investment, tax, etc.).

—On economic legal proceedings.

It is necessary to draw up and approve a strict schedule for the adoption of these laws. Delays are inadmissible—the president may wait, but the economy will not wait.

The new Civil Code along with the Constitution of Russia that was adopted should be a reliable guarantee of the rights of Russian citizens in all areas, including economic. It is on the basis of these documents that the rest of the areas of legislation should be built.

Democratization of economic legislation will be an essential task. This does not mean to produce more and more restrictions on the activity of industrialists and entrepreneurs but, on the contrary, to direct all innovations in economic legislation toward easing the tax and administrative burden of the commodity producers.

After changing the tax system it will be necessary to introduce a moratorium (say, for three years) on new taxes and increased rates of taxes and deductions currently in effect. Everyone stands to gain from the introduction of such a moratorium. A new source of stability will appear in the country—and, consequently, more of the enterprise's attention will be devoted to questions of development and not immediate survival. Additionally, it will be possible to reveal the weaknesses of the tax system with greater precision after three years.

It is necessary to increase the effectiveness of laws and devote more attention to responsibility for their execution. Democracy turns into chaos if the popular saying "the law is a drive shaft: whichever way you turn it, it will go," remains in effect.

All we have to do is change the laws to accommodate immediate interests or interpret them at our own discretion to suit political ambitions—and instability in society will immediately increase and tension will grow.

Relations Between the Center and the Regions

The provisions of the Federation Treaty on delimitation of authority have still not been fully realized. "Work with the territories" frequently becomes a tug-of-war.

The new Constitution clearly defined the functions of the Center and the regions. In order for these provisions not to remain merely on paper it is necessary to organize the process for transferring to components of the Federation functions that are not assigned to the Federation and resources for fulfilling them.

The constant conflicts because of transferring taxes to the Center and funds from the federal budget to the regions are inadmissible. It is necessary to completely

separate the tax systems of the Federation and its components, granting the regions the necessary financial resources and tax authority.

It is necessary to combine independence of the components of the Federation and normal functioning of the vertical executive structure in performing functions of federal power. To do this, local organs of federal departments should be created in the regions. Their functions should be limited to the ones assigned in the Constitution to the Federation, precluding intervention in the authority of its components.

The Constitution has strengthened the equality of the components of the Federation, which means that there should be a standard approach when granting them subsidies, benefits, etc. and standard criteria for adopting these decisions (level of employment, average per capita income, etc.).

The Constitution and the federal laws must be regarded as the minimum of rights guaranteed to citizens and enterprises throughout the entire territory of Russia. Components of the Federation may use their own resources to expand these rights without restriction, but in no case may they restrict civil liberties, social guarantees, or the possibilities of conducting entrepreneurial activity.

Support for Russian Industry

The need for financial support for domestic industry is obvious and nobody questions it. Throughout the entire transition period, state intervention in the economy and financial support for it will be unavoidable. The entire question is how to carry out this intervention and provide this support.

Today immense state investments are being made in the economy in such a way as to reinforce not market but antimarket tendencies.

Mutual offsetting of debts or preferential credit are dangerous not only because they could produce a new wave of inflation. What is even worse is that they generate attitudes of dependency among commodity producers and orient them not toward market demand but toward passive anticipation of help from the state.

Indeed, why should an enterprise director be concerned about studying the market, reprofiling production, and updating the assortment if it is possible, as usual, to crank out products that nobody needs, and when the enterprise, its warehouses crammed full, ends up actually bankrupt, threaten the government with mass unemployment and social upheaval and have its debts written off again and be granted new credit?

As a result, products nobody needs continue to be produced and the problem of nonpayments is renewed from year to year.

The state must help the enterprises provide for product sales and not give them an unconditional opportunity to

continue to produce items that nobody buys. To accomplish this it is necessary to change the direction for granting state funds: Credit should be extended not to the producer but to the consumer so that he can buy the products he really needs.

We must especially look into a form of organization of sales that is widely used in world practice and is almost unknown in our country. It involves leasing companies which purchase costly technical equipment from the producer and lease it to the actual users.

It is precisely in the creation of these companies in all branches that operate costly technology and equipment that state credit should be invested. This way we will help update the fixed capital of the enterprises of these branches and, the main thing, we will force the producer actually to take consumer demand into account. Because the leasing company will place an order only for equipment that is in demand.

This mechanism will make it possible to reveal the group of producers whose products nobody needs and actually put in motion a bankruptcy procedure that has been discussed for a long time without results.

Of course, such market mechanisms as leasing companies function effectively if they have participating in them not only state but also private capital, which is vitally interested in profit. The creation of such companies with mixed capital has the added advantage that it makes it possible to draw into the production sphere Russian entrepreneurs who are not yet strong enough to decide on large-scale investment without the state as a partner.

We see another means of shifting state support from the producer to the consumer in the granting of monetary subsidies directly to the citizens. The first experiment of this kind was conducted in connection with the rejection of state subsidies for the production of bread. It should be utilized more widely.

And if an enterprise cannot sell its items, it is necessary to speak precisely about social aid for its workers and about targeted and strictly controlled credit for reprofiling, and not about endless subsidies for the continuation of unnecessary production. Such outlays are much more justified than the expenditure of more and more billions on the production of products of yesterday.

The essence of all these mechanisms is that the state supports the consumer and he, with his ruble, votes for the enterprises that are capable of finding their place in a market economy. Only when we master this will we be able to launch a structural rearrangement of production on market principles and create incentives for satisfying the effective demand.

In addition to this the state must assist in the structural rearrangement of industry, in increasing its ability to compete and in its profitability, and in reducing expenditures. One of the areas where this work can be seen is

purposeful utilization of "natural monopolies" that belong to the state—nationwide transportation, communications, and energy networks.

The establishment of prices and rates for the services of these monopolies must be strictly controlled and be subordinated to tasks of the state economic policy. For many goods today the lion's share of the production costs, sometimes up to 40 percent, is made up of expenditures on transportation (and, for example, for newspapers—on communications workers).

For the period of stabilization special financial conditions must be established for state networks of nationwide significance that are protectionist with regard to Russian producers. It is necessary to establish lower rates and to prevent their arbitrary increase by local leaders of the corresponding services. Thus significant financial aid will be rendered to all of Russian industry. At the same time it will be possible to refrain from individual support of enterprises, which creates unequal conditions for them, and utilize the released budget funds for maintaining the technical level and wages and for the development of federal systems of transportation and communications and energy engineering.

Development of Privatization

The program for privatization of state enterprises was one of the few state programs with detailed development and a well-arranged mechanism for implementation. The year 1994 will be one for summing up the results of its first stage—privatization of state enterprises through the use of privatization checks issued to the population.

The goals of the privatization program are multifaceted. Among them are political ones—returning to citizens of Russia their share of the national wealth; social—the formation of a large segment of private owners; and economic—the reform of property relations in Russia. The results of the activity of the government and the course of privatization show that we are consistently coming closer to our earmarked goals.

At the same time today we are experiencing an ever greater need to shift from global transformations to solutions to current problems of the economic reform. Based on this, we consider it necessary to coordinate issues of privatization with structural rearrangement of the economy and modernization and retooling of Russian industry.

Mass check privatization will be completed on 30 June. After that there should be an increase in the role of other methods, which are oriented more not toward social ends but toward high economic effectiveness of the privatized sector. These include, above all, investment competitions which demand from the buyers of enterprises unconditional implementation of a program of investment in the development and modernization of production.

There are also great prospects for the sale of state property in installments—through a system of special privatization credit. This system should open up access to property for those Russians who are able to organize production but do not have sufficient initial capital for this—the corps of directors and professional managers.

Continuation of the Land Reform

An important step in the development of economic transformations was the decision to remove unjustified restrictions from buying and selling plots of land and the formation of the basics of a civilized real estate market. The president signed the corresponding edict on regulation of land relations and work was done in the government to improve individual areas of the functioning of the land market.

At the same time today we have far from a complete package of the necessary normative documents on land law. There is a critical need for an integrated code of laws on land that establishes the rights and responsibilities of its owners and delimits authority in regulating land relations at the level of the Federation. This is one of the most important issues facing the country which the new Russian parliament can resolve. Further liberalization of relations involving ownership of the land and its legislative formulation are necessary not only for the development of agriculture but also for the development and the most rapid stabilization of the economy as a whole.

At the same time liberalization of land relations should not lead to a loss of state control over the land market, especially the utilization of land for agricultural purposes. It is necessary to consider the question of introducing the status of land under federal jurisdiction for some of the agricultural land that has strategic significance for all of Russia.

Reform of the Banking System

The development of domestic industry will be successful only if it is based on a solid banking system. Far from everything is going well in this sphere in our country.

The Central Bank system has not acquired the flexibility needed under conditions of a market economy. As before there is domination by all kinds of continuously changing instructions, letters, and telegrams sent by the Central Bank. It is becoming increasingly difficult to figure out this pile of them.

Even worse is that the Central Bank's independence frequently ends up to be arbitrariness with respect to the commercial banks and sometimes also with respect to all the population and enterprises of the country (as was the case during the summer money exchange).

The work of the Central Bank requires restructuring and reform, not shock therapy, but extremely cautious reform that does not disturb the normal operation of the banking system as a whole. It is necessary to take advantage of all the best that has been accumulated in

world experience in management of the monetary-credit sphere and in the work and organization of central banking systems.

As for the development of the domestic banking system, we still have to determine the limit beyond which protection of national economic interests becomes patronage for inefficient structures that ignore the interests of the clients and are incapable of providing them service at the level of modern standards.

Protectionist measures must, in the first place, be carefully weighed so as not to go beyond the limits actually dictated by national economic interests and, in the second place, be combined with increasingly strict requirements on the quality of the operation of domestic banks so as not to preserve the backwardness but gradually to bring them up to the real world's level.

Development of Currency Regulation

Up until recently questions of currency regulation have been among the most difficult problems of economic policy. The condition of the Russian economy is fatally affected by such phenomena as illegal exportation of capital, the diversion of immense funds for currency speculation rather than production use, branch and regional lobbying in connection with the receipt of currency and other foreign economic privileges. The development of currency control and the regulation and sharp reduction of benefits and special conditions make up an essential task.

Stabilization of the foreign currency exchange rate for the ruble is another one of the most important tasks. The economy is not yet ready for a fixed rate. But it is necessary to introduce into practice the establishment of points of reference for changing the exchange rate for the near future and provide for their observance through measures of state policy. This will create a certain stability for industrialists and investors, and will help to shift immense funds involved in currency speculations to production use.

Right now we must begin working to prepare for transferring Russia's foreign trade to ruble accounts. Such conditions for accounts for foreign trade operations are typical for developed countries with market economies. As the country's economic situation stabilizes, this task will be increasingly crucial. We must purposefully prepare the economic and political conditions for this decision.

With the introduction of such a system there will be a sharp increase in the supply of currency on the Russian market, since the entire volume of export proceeds of Russian enterprises will pass through it. Moreover, there will be a steady and significant demand for rubles on the part of foreign buyers of Russian goods (including raw materials). This not only means an important step toward convertibility of the ruble but it also creates preconditions for the ruble's entry into foreign currency exchanges.

The very concept of foreign currency accounts of enterprises will disappear. From the very beginning rubles will be transferred into the exporter's account, and the importer will also use rubles to pay foreign sellers through his bank for goods that are purchased.

Such an accounting procedure is an important element in the system of currency control. It will place a barrier on the path to illegal exportation of capital abroad and make an essential contribution to the stabilization of the ruble as a currency used in the world market, even if it is on a very limited scale at first.

The task of stabilizing the ruble exchange rate and introducing it into international settlements should also be a reference point for the legislative organ when preparing documents regulating monetary circulation and the monetary policy of the Russian federation.

Protection of National Economic Interests and the New Foreign Political Doctrine

Russia's entry into the world market is objectively predetermined and it has not only economic but also decisive domestic political significance.

Even today it has been clearly revealed that a considerable share of Russian enterprises are trying to export their products. For many of them (for example, high technological ones) this is the only possibility of surviving under modern conditions whereby domestic sales have dropped sharply and the state has no possibility of providing adequate support.

Thus the opening of foreign markets for Russian goods was predetermined by an objective process, and it directly involves the interests of tens of thousands of enterprises and millions of their workers. All these people are real or potential bearers of the ideology of Russia's entry into the world market. Such mass support and interest means that Russian goods will definitely go on to the world market. The only question is whether this will be sooner or later, in civilized or savage forms, and because of the government or in spite of it.

With their votes, their work, and their resources these people and their enterprises are capable of giving real support to the government that carries out this task. Conversely, indecisiveness, delays, and especially disregard for this problem by the government will actively place them in opposition and force them to seek other channels, bypassing the current authorities, for integration into the world economy, and also to rely on other political forces.

Consequently, success in solving foreign political problems will make an essential contribution to the development of the domestic political situation. This is one of the factors that form the social base of the reforms and the reformers, which determine the credit of confidence and support we have for conducting our policy.

The solution to the problem of entry into the world market hinges mainly on inadequate foreign political support.

The reorientation of foreign policy toward priority partnership with the leading developed countries, which has taken place in recent years, has certain shortcomings along with its obvious merits. There has been a sharp reduction of Russia's presence in traditional foreign markets (for example, the countries of Eastern Europe and the Near East), and the potential for cooperation with developing and new industrial countries (South Korea, Taiwan) is being inadequately utilized.

At the same time, relations between Russia and the West are developing asymmetrically at the present time. The developed countries are not at all inclined to allow Russia into international markets in response to the development of political cooperation.

Our partners consistently protect the interests of their producers from Russian competition, and Western countries are preserving discriminatory measures against Russian goods and preventing their penetration into their own markets and even into the markets of "third countries" (an example is the memorable story of the delivery of rocket engines to India).

The developed countries are applying antidumping measures against Russian goods and introducing prohibitive duties on our products (for example, 104 percent on deliveries of ferrosilicon from Russia to the United States). The quotas assigned to Russia in many cases are linked to deliveries from the CIS as a whole, which aggravates relations within the framework of the Commonwealth because of the distribution of these quotas. And the amounts of the quotas are frequently ridiculous. According to the data of the Ministry of Foreign Economic Relations, say, for sheet metal the quota of the European communities for Bulgaria is 53,000 tonnes, for Romania—45,000 tonnes, and for all of the CIS—49,000 tonnes. Italy allows the shipment from Russia of nine (!) engines, 29 motorcycles, etc.

These political restrictions cannot be removed by purely economic methods. It is necessary to have a consistent and firm policy of protection of national economic interests that is enforced in all foreign political activity. This pertains both to cooperation with Western states and to the restoration of mutually advantageous trade and economic ties with the former socialist countries and to political support for Russia's entry into the markets of developing and new industrial countries with competitive and highly technological goods, machines and equipment, and raw and processed materials.

Thus political support must play a decisive role in the restoration of Russian exports and their distribution in new foreign markets. This problem is not being resolved effectively enough today. It is necessary to adopt and consistently implement a new foreign political doctrine that protects Russia's national interests. It is important

to find a form in which foreign policy would reflect in a balanced way both the political and the economic interests of our country.

Gaydar Criticizes Academicians' Economic Reforms Program

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[Interview with Yegor Gaydar, leader of the Russia's Choice faction in the State Duma, by Aleksandr Bekker; place and date not given: "Yegor Gaydar: The Academicians' Program is a 'Very Interesting Document.' It Clarifies Why the USSR Economy Collapsed"]

[Text] It is expected that today the State Duma will conduct parliamentary hearings devoted to programs of economic reform and anticrisis measures. The impact caused by the parliamentary elections on the moods of the political leaders of Russia was extremely significant. In this connection one can expect that the results of the hearings will be taken into account by the government when it determines the plan for further measures.

SEGODNYA offers its readers an interview with the leader of the Russia's Choice faction in the State Duma, Yegor Gaydar, who previously defended the government program from attack by the Supreme Soviet and is now criticizing developments for changing this program proposed to the government by a group of Russian academicians.

[Bekker] Anatoliy Chubays called the proposals from academicians Shatalin, Abalkin, and Petrakov for changing the course of the reforms "economically absurd." Do you too consider them to be unworthy of professional attention?

[Gaydar] No, it is a very interesting document. It makes it possible to guess the riddle of the 20th century—why did the generally inert economy of the Soviet Union collapse so quickly? Of course, by 1985 it was severely ill. But in order to completely destroy the consumer market and financial system in six years and by the end of 1991 to leave the country without currency reserves or grain supplies—one had to try very hard to accomplish this.

[Bekker] And you mean to say that this striking result was achieved by a set of measures similar to the ones proposed in the report by the scholars?

[Gaydar] Yes. Take such a proposal as state regulation of prices of the most important raw material commodities. They do not reveal precisely which ones, but apparently they are the products of the fuel and energy complex and, possibly, nonferrous and ferrous metals and products of chemistry. The regulation would be introduced against a background of large-scale financial infusions, working capital of enterprises and the savings of the population would be indexed, and capital investments, expenditures on conversion and the social sphere, and critical imports would increase.

The consequences are obvious: the sharpest disproportions would arise between regulated and free prices. As a result, after a short period of time even with the present rates of inflation, oil, gas, and practically all goods on which prices are frozen would begin to be produced at a loss. There would be a need for a large financial influx to cover the needs of these branches. Otherwise there will simply be nothing with which to pay wages and nothing with which to buy electric energy and spare parts.

[Bekker] But the report suggests establishing a certain rational relationship among parts for branch goods.

[Gaydar] In the first place, who knows what this ratio is? In the second place, it is not simple to do that. In two months inflation could bring products, say, from machine building to a new price level, and in order not to shut down the fuel and energy complex the government would have to scrape together funds from the budget. But the disparity in prices would get ever deeper and ever more subsidies would be required, the budget deficit would start to grow and unfixed prices would rise ever more rapidly.

Further—there would be two other consequences. If the demand for metal were greater than the supply of metal at suppressed prices, a waiting line would form for it and the seller would determine whether to provide it or not based on who satisfies certain of his additional needs, say, through barter. And the second thing: there would arise a need to control this distribution. And then there would appear the boss who decides who gets what limits and funds and assignments. A sector of deficit distribution would develop in the economy.

[Bekker] And inevitably it would be necessary to restore the Gosstab [State Committee for Material and Technical Supply] in order to divide up the deficit and the Gosplan [State Planning Committee] in order to determine the national economic proportions and calculate interbranch balances.

[Gaydar] Well, naturally. The report masks this with a euphemism—"the state will undertake to play the game." But what will the "player" do when he finds out that first metal has ceased to be very profitable and then it is produced at a loss, and then there is nowhere to get the money to pay the wages of the metallurgists, and then strikes begin at the combines. Of course, under pressure the government will give in and raise prices. But not by 15 percent, as is now happening in the market, but three- to four-fold, since by that time the other prices will be rising sharply. As a result, throughout the entire economy a powerful pro-inflation impulse will be set in motion. That is, instead of making it possible for the enterprises, hard as it may be for them, to adapt each day to the changes in the proportions, you will reorganize them once every four months and beat them over the head with a club. And then see how they react to that.

[Bekker] After all, just in July the government finally released prices for petroleum and stopped regulating grain prices.

[Gaydar] Indeed, the minute they have achieved something they are immediately ready to drive up the high cost waves, reproducing price distortions and an immense load on the budget. The esteemed academicians say that this is being done in order to bring the prices in the branches up to normative ratios. In principle it is possible to achieve this by two methods. First—slightly influence supply and demand; introduce export and import tariffs and stimulate the importing or exporting of goods. The second is to assign prices. To say that they will be this or that.

[Bekker] Is that what the State Committee on Prices has been doing?

[Gaydar] Yes. This system would have to be made all-encompassing. Because if you regulate prices for knitted goods, you automatically have to control the price of cotton. And then there arises the problem of equal advantage in producing products which was well known in Soviet times. This problem practically does not exist now: products are sold at the prices at which they are sold. In the academicians' version we are given a deficit and an escape from producing disadvantageous products. If you know that it is impossible to buy many batching items and spare parts at any price, you will have to construct, without any of these absurdities, an integrated price regulation system.

[Bekker] Plus the system for regulating incomes and wages through the State Committee on Labor and Social Problems.

[Gaydar] Sure. And for orders on prices and wages to be carried out they must be backed up by strict sanctions and legislative rights for state organs. For instance, if someone refuses to produce the necessary kind of fitting the authorities must have the possibility of firing the leader or giving a reprimand. But here is the problem: all of this somehow cannot exist in a private economy.

In order for there to be no cracks in the system, it is necessary, as was said in the report, to abandon the populist voucher privatization and begin the reverse process—nationalization. Then events will develop in the standard way on the consumer market. As soon as the monetary assets of the population grow as a result of indexation and prices, according to the advice of the academicians, are fixed, the government itself will be very bewildered when it discovers that again nothing can be bought for the money. And that again it is necessary to go from Tula to Moscow, stand in lines, introduce ration cards, divide up the supplies of meat products, go to the capital to try to scare some up, have good relations with the salesmen, and have a foot in the back door. In brief, all the charms about which we have forgotten somewhat will come creeping back, although in terms of time they are not far behind us.

In our history there existed a great organ—the Commission on Distribution of Material Resources. It died quietly and unnoticed in 1922 with the liberalization of the economy and the introduction of a relatively stable

currency. And very quickly it turned up restored in expanded form as soon as a set of measures painfully similar to the ones proposed in January 1994 were implemented.

[Bekker] You have not yet touched on an important element of the academicians' concept: they assert that administrative regulation will halt the decline of production and make it possible to saturate the commodity market.

[Gaydar] The scale of financial disproportions that will follow such a measure will be incomparable to the current fluctuations and production volumes. As a result of such a decision the demand will automatically increase not by 2 percent or even by 10 percent but several-fold. Because this is a monetary phenomenon.

According to this scenario, stabilization or at least retardation of the rates of decline of production would be possible only under the condition that the authorities fully and effectively restore the previous system of management. But I am convinced that now it would take years of deep crisis in order to arrange a normally functioning Gosplan, Gossnab, and 50 branches of ministries, to restore the old ties, to cast off privatization, and to again adapt to the discipline of fear.

We are now living under the conditions of a very painful intersystem transformation whereby the old system has been broken down and a new one is just being built. And here, without hanging on, without being patient, in general, a year...experience shows that in a postcommunist economy financial stabilization comes in the third year of reform, and production begins to increase in the fourth. Instead of continuing things, they are now beginning to turn this machine back, that is, worsen the condition of systemless chaos. How and from what will production all of a sudden begin to grow in this situation—this is absolutely incomprehensible.

[Bekker] But yet in certain periods of 1992 and 1993, when the government and the Central Bank had increased monetary emissions and unleashed the nonpayment crisis, production was clearly invigorated.

[Gaydar] That was a very short-term and transitory result which was swept away with the next wave of disproportions. No, of course, if in three years you restore strict total control of the state, if you bring back fully the administrative-command system of management and force the population to tighten their belts, in time production volume could stabilize and the preconditions for a certain growth could even appear. But there is no reason to think that anybody will be happy because of this. Because the volume of economic activity never signifies its effectiveness. This is simply the quantity of shovelled resources: the volume of ditches you dig, the number of tanks you rivet. After this you will completely deprive the economy of the set of microregulators that were vitally necessary and because of which, actually, the old system of administration collapsed. Innovations? Why are they innovations? Economic utilization of

resources—from what item? Having poured capital, labor, and resources out of ineffective branches—nothing of the kind. The maximum you can do with a great deal of labor is preserve the archaic economic structure, which will drag the country into the web of backwardness.

[Bekker] Boris Yeltsin, having the academicians' work in mind, said that "such advice had already been given." But Messrs. Petrakov and Abalkin were not working on a public basis but on instructions from First Deputy Prime Minister Soskovets. To what extent, in your view, is Viktor Chernomyrdin prepared to listen to the president's assessment today?

[Gaydar] I do not think that Viktor Stepanovich will decide to implement the complex of recommendations contained in this report. Moreover, all the proposals are in the intermediate phase. If the academicians were to write down what we have just discussed, that is, the set of consequences and the set of institutions that would have to be formed immediately in this connection—beginning with deprivatization of the economy and ending with the restoration of direct specific administration of all flows of resources—that would be some kind of integrated and comprehensible program. Well, say, the program of counterreforms. But in the present form it is simply a program for restoring the chaos of 1990-1991. It is doubtful that the prime minister would even dream of this.

[Bekker] You probably know his program plans.

[Gaydar] No, but I do know that Viktor Stepanovich has not lost his mind. The academicians' concept contains certain shortcomings that are obvious and, in my opinion, apparent even to the non-specialist. Let me put it this way: I would be surprised if the government would have the courage to consistently implement what is presented there.

It is presented, incidentally, in an extremely contradictory way. In one place the government is reproached for its extremely strict financial policy, for the fact that it has used purely monetary means of holding down inflation through limiting demand. But two paragraphs above it says: "The government has widely used emission as a kind of narcotic for emboldening production." The strictest financial policy which proceeds against a background of wide use of emission—that is brilliant. Or: "In two years they still have not managed to normalize the budget system in spite of enlisting immense amounts of credit from the Central Bank to cover the budget deficit." Apparently the esteemed authors sincerely think that attracting this credit is a means of stabilizing the budget systems.

[Bekker] The academicians' attack against voucher privatization as populist and pro-inflation does not seem altogether clear either. According to the State Program, voucher privatization will end by 1 July and investment trade for money and control of publicly financed enterprises will begin.

[Gaydar] Quite right. I especially want to discuss the supposedly pro-inflation essence of voucher privatization. Even if one proceeds from the assumption that the checks are an ersatz means of payment, check privatization is now playing a marked stabilizing role since the number of vouchers, which was maximal as of 1 January 1993, is decreasing rapidly. This means that the total amount of the monetary residuals is increasing considerably more slowly.

One could argue about whether the emission of vouchers had a pro-inflation effect at the end of 1992. That, as it were, is an interesting question. But the fact that now if voucher privatization has any influence on inflation at all it is only in the direction of restraint is obvious to anyone who understands anything about the analysis of monetary reserves. So the academicians were at least a year and a half late with their criticism.

[Bekker] And if the chambers of the Federal Assembly approve this program as a basis for compromise between the government and parliament?

[Gaydar] Well, the punishment for experiments of this kind will be forced and apparent to society.

[Bekker] But the academicians are calling your reforms violence against the economy, shock therapy. Moreover, your previous friend, when working with Stanislav Shatalin in the Central Economics and Mathematics Institute and then a like-thinker in the first post-communist government, Aleksandr Shokhin, said a couple of days ago that you had resigned in order to avoid responsibility for what you had done.

[Gaydar] Yes, I heard that. You know, last year we had a paradoxical, almost unprecedented situation in which there was a strong, energetic prime minister who did not seem to bear responsibility for what was happening, which is borne by Gaydar who is in retirement. And his colleagues, who have also remained in the government, do not seem to have anything to do with this. I am not running away from responsibility. I think that was clear during 1991-1992. In the autumn of 1993 I came to the government at a time that was not the easiest for it. In my view, responsibility is inseparable from the possibility of implementing the policy that you consider right. As long as I was able to implement this policy, I considered it possible and necessary to bear responsibility for it and I did not shift it to anyone else. But, in my view, to take responsibility absolutely does not mean to be chained to the chair regardless of fluctuations in the course pursued by the government. It does not mean to be omnivorous and it does not mean to be prepared to swallow our pride and accommodate any twists in this policy as long as you can remain in the loop.

Petrakov on Academicians' Economic Reform Strategy

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[Interview with Nikolay Petrakov, director of the Institute of Market Problems of the Russian Academy of Sciences, by T. Pomelova; place and date not given: "Reform of Reform: Economic Change or Economic Revolution?"]

[Text] Opinions regarding the recently declared new state policy priorities (easing the excessively tough monetarist methods, support of production, etc.) have divided basically into two irreconcilable directions. One unconditionally supports the strategy and tactics of the radicals who have just left the government, and the other just as energetically rejects them. The discussion is stimulating the emergence in the world of the most diverse projects, programs, and studies, of which the greatest prominence was received by the joint report of the economics department of the RAN [Russian Academy of Sciences] and the Reform International Fund under the title "Socioeconomic Reorganization in Russia: Current Situation and New Approaches." At the end of last week its authors—Academicians S. Shatalin, L. Abalkin, and N. Petrakov—presented their work for the consideration of their economist colleagues and also of deputies of the State Duma.

Tatyana Zaslavskaya and Artem Tarasov and Sergey Baburin and Vadim Medvedev, a former member of the CPSU Central Committee, were among those who came to the presentation. Not all the guests decided to speak at this discussion, to which many probably came out of curiosity. But the positions of those who nonetheless expressed opinions with regard to the program were very contradictory. Just as, however, the program of the "three academicians" itself was contradictory. After the meeting we were able to interview one of the developers, Nikolay Petrakov, director of the RAN Institute of Market Problems. But first, here are several quotations from the draft "Socioeconomic Reorganization in Russia: Current Situation and New Approaches."

"While favorably assessing the movement to a market economy that is under way, it is necessary to note the continuously increasing, and in many ways excessive, 'price' that society has already paid and will be compelled to pay for the adopted strategy and tactics of the transition to the market. Just in the last two years the drop in production, according to the most important macro-indices, totaled about 30 percent. In addition, it is important to emphasize that the drop in production, first, has not a structural but a general character and, second, it hit the most progressive and highly technological branches and types of production in the greatest degree."

"Under current conditions, the loss of volume of production is a market loss; moreover, not only of the world market (for example, in the aerospace industry, in the

production of armaments, etc.), but of the domestic market as well. However, once having yielded a place on the market, it is extremely difficult to regain this niche."

"The drop in investment activity is most profound and dangerous in its socioeconomic consequences."

"It was still not possible after two years to normalize the budget system, despite enlisting huge credits of the Central Bank and the artificial withdrawal of resources from the Pension Fund. The result of unreasoned actions, the payments crisis, and the inability to guarantee normal tax receipts only undermined the income base of the budget and caused its chronic deficit."

"The choice of strategy of socioeconomic reorganization is a very complicated process that demands not only detailed scientific study but also due regard for the popular will and the consent of the leading sociopolitical forces and movements."

It is necessary:

"to define and formulate the social indicators of reform: its aims and also boundaries and limits, whose traversal is impermissible under any circumstances or for any reason (guaranteed subsistence minimum, employment threshold, share of expenditures for education and health services in the GNP structure, and others)";

"to reject the naive belief in the automatism of improving the economy with the help of depersonalized monetarism and to restore state regulation in its natural and generally accepted functions";

"to switch to new principles of financial stabilization on the basis of combining a tough financial-credit policy with selective support of priority spheres and production, use of various forms of regulation of prices and incomes (including the help of establishing price parities, cartel agreements, etc.), and perfection of tax and budget policy."

[Pomelova] Nikolay Yakovlevich, ex-minister Boris Fedorov in his last statement appealed to the president with the statement that an economic overturn is occurring in the country. Do you agree with such a categorical assertion?

[Petrakov] In my opinion, the government is now in a certain rigidity: It either faces a change, or it faces a "revolution." But this is not the point. I do not entirely understand Fedorov's position, also Gaydar's and Chubays'—in a word, people of a reformist inclination who steered the economic ship of our country. What do the macroeconomic methods they employed represent? Two levers were engaged in the fight against inflation. First, a sharp reduction in the expenditure part of the budget. Second, the same kind of sharp increase in taxes. Everything is "transparent," as in school: In order to finance the budget, it is necessary to reduce expenditures and increase taxes. This is the essence of "shock therapy" in

the Russian rendition. Moreover, it is proposed that we go further on this same simple path.

Now, let us take a look at what happens with expenditures. Really, expenditures are compressed to all reasonable and unreasonable limits. Moreover, reasonableness in the reduction of expenditures already exhausted itself in the first half of 1992. Further, the reduction was already some kind of irrational number. As a result, all budgetary spheres fell into poverty. Education, culture, science, and health services—wages for workers there were lower by a factor of three to eight than in industry, not to mention commerce.

Or let us take another method, which was used by Minister of Finance Fedorov in fighting inflation. This is nonpayment for purchased products. It became a tradition to rebuke agriculture for the fact that it made requests. But let us analyze this: People were told that products were being bought from them at a certain price. This was the state order and mandatory deliveries that the peasant could not avoid, and he sent all his grain to the market. So they set the price, and they received the grain. But they did not want to settle accounts. That is, they simply took it. Is it possible to consider such methods state economic policy? This is no better than the surplus appropriation system of the Bolsheviks. These are absolutely not economic methods, which for some reason are presented as a monetarist approach.

[Pomelova] Can you mention some decisions of the ministers who have left that would meet with your approval?

[Petrakov] Hardly. When they announced that it was necessary to continue, it was not clear just what to continue. We were already up against the wall. For example, we could raise tax rates more and more. But what will this lead to? After all, business activity is already almost stifled by taxes. Instead of broadening the tax base and stimulating production with normal taxes, they simply took a colossal part of the profits. Although this had its own defects, and taxes were simply appropriated.

[Pomelova] But after all, there were periods of a real drop in inflation during 1993.

[Petrakov] But at whose expense did this occur? From the standpoint of economists, the temporary successes were achieved in a very strange way. In autumn I was invited to an expanded meeting of the Council of Ministers, where I heard a report by Chernomyrdin. He talked about the fact that the country had harvested 100 million tonnes at a time when it was expected that 115 million tonnes would be harvested. The "full amount was not gathered," because agricultural enterprises lacked the financial resources, and this means because of an inability to pay for fuel and materials. Because the minister of finance delayed the allocation of credits for the harvest campaign. In the end he issued them nonetheless, but many rayons received the money with significant delays.

Of course, this had a beneficial effect on the inflation indices. But multiply \$120 per tonne of grain (this is

approximately the world price) by 15 million, and you will see what the cost of the game came to in the economy.

In October, when we also observed a reduction in inflation, the situation was somewhat different. At the end of 1993, as at the end of 1992, the payments that the government were supposed to conduct in November-December were carried over to January-February 1994. The total indebtedness was on the order of 7.6 trillion rubles [R].

Generally speaking, when a professional comes to the leadership of the economy of the country, having a specific program, he is obligated to take into account the degree of resistance of the "object" to which his program is addressed. And if anyone supposed that "shock therapy," which caused a lowering of the standard of living for an overwhelming number of people, would be favorably received by them, then they are naive or infantile. It is necessary to remember the reaction of a patient when he is operated on without an anesthetic.

[Pomelova] Nikolay Yakovlevich, how can the policy you propose with your program be characterized? Is this a complete turnaround from the former direction of reform? "Healing the wound" after an unsuccessful economic operation?

[Petrakov] I think that even if "wounded," we should crawl to the market. Obviously the 70-year experiment to create an alternative socialist economy failed. But today the movement toward a market is occurring under conditions that are absolutely different from those of two years ago. The present stage is distinguished by mass disappointment in market ideas. I am not talking, of course, about employers and the employees of their firms, but about a majority of the citizens. It is very difficult now to change their minds and get them to believe in the advantages of a market economy. In essence, good ideas are being discredited by unskillful realization. Nothing has such an influence on the mass consciousness as very specific examples from everyday life. The examples speak of price increases, pay delays...

Thus, on the one hand, it is necessary to overcome the skepticism of the people, and on the other, the criminalization of the Russian economy. After all, prices were demonopolized without destroying state monopolies. The latter were under the complete command of specific groups of persons who were closer to these monopolies. Moreover, they got the right to free price formation. These are "capitalists" who do not need a civilized market: They do not want competition, clear tax legislation, or a well-organized customs service. A semicriminal market suits them. But such a market does not give a boost to the economy.

This means that it is necessary to create competition and develop clear-cut legislation so that our capital remains in Russia and foreign capital comes to Russia.

[Pomelova] The main argument of your opponents is that every kind of assistance to production or the village and any credits and privileges in the final analysis hit the pocket of the same impoverished population: After all, where else can income for the budget be obtained, if not from the purses of citizens, by imposing ever higher taxes on them?

[Petrakov] I am convinced that taxes should be lowered right now. Moreover, possibly, double taxation of enterprises should be abandoned, inasmuch as the value added tax already includes in itself a tax on profit.

On the other hand, why are we raising taxes? In order to pay an acceptable wage to officers, teachers, and doctors. And they have to be paid more and more, because prices are increasing. But why are prices increasing? Because any new tax or an increase in the rate of an already existing tax is already included in the price. We have a monopolized market, a producer's market; consequently, all costs are immediately included in the price. A person sees another increase in prices, he goes on strike, and his wage is increased. And so on, endlessly. That which we gain on taxes, we right away lose on wages. The tax becomes one of the main inflationary factors.

[Pomelova] Is it possible unequivocally to divide methods of managing the economy into market and antimarket methods?

[Petrakov] Imagine street traffic. It is subject to specific rules, you cannot drive through a red light or make a turn in an unauthorized place. But you are free to drive to wherever you want. But you can also be issued a travel authorization sheet that strictly directs movement from point A to point B, and even to load up with sand. The first example is a market measure, the second a non-market measure.

Taxes, privileges, and various interest rates for credits—these are market measures. In other words, market measures are an expression of the state's priorities.

[Pomelova] Are there any guarantees that support of production and the agrarian sector and the accelerated increase in the standard of living of citizens will not lead to a "Ukrainization" of the Russian economy?

[Petrakov] The difficult economic situation in Ukraine is caused by quite specific errors on the part of the Ukrainian leadership. But other factors should also not be forgotten. This country does not possess the necessary economic self-sufficiency. It has practically no energy sources. It imports oil, gas, and timber from Russia at world prices. But the export capabilities of Ukraine are extremely limited: Consumer goods produced there are of a low quality, and the West does not need agricultural products at all. Farmers are being paid there not to expand production. Thus, the sources of hard currency revenues are extremely limited, and this is the main reason for the decline in the Ukrainian economy.

The situation in Russia is entirely different. Energy resources keep us and will continue to keep us afloat. But our inflation rates give no justification to boast before Ukraine. When they say that the ruble has started working, they do not mention that they want to spend it immediately. And until it becomes a means of accumulation, it will remain a falling currency, and until that time we will be unable to ensure normal business activity. [end Petrakov]

From the editorial office. The draft "Socioeconomic Reorganization in Russia: Current Situation and New Approaches" has evoked a lot of criticism. In our opinion, it suffers from excessive emotionalism in its assessment of the policy being conducted and of the politicians who are conducting it. On the other hand, the specific approaches proposed by the authors to put their program into practice are not entirely clear. For example, lowering taxes and in this way expanding the tax base (that is, the number of enterprise commodity producers and the volume of products that they produce) can improve the budget only in the future, and not in the very near future. At whose expense should production, which is dying today, be supported?

Nevertheless, the program has sharply stated a problem to which we can no longer remain thoughtlessly indifferent. The drop in production has reached a critical line. But production in our country is not only an economic factor, it is also a social and political factor. Its crash is capable of provoking a crash of stability in Russia. It is also impossible not to mention Artem Tarasov's praise regarding the study: "Perhaps this is the first time we are being familiarized with a draft of an economic concept that can be discussed, and not with a ready guide for action published in a newspaper."

Yasin Analyzes Economic Reform Program

*5A Moscow ROSSIYSKIYE VESTI in Russian
p. 94*

[Article by Yevgeniy Yasin: "A Program Which Cannot Be Realized"]

[9 Feb p 2]

[Text] Before expressing my opinion on the program for socioeconomic reforms in Russia submitted by a group of prominent scientists, I would like to say a few words in place of an introduction. I have mixed feelings with respect to the persons who were named among its authors. After all, I worked with them for many years and I am very friendly with them, despite what they write and the kinds of views they express. I am deeply convinced of their high values and respectability. This makes it more complicated to evaluate the document they drafted. Nevertheless, in pointing out the prism of personal relationships, I realize that the public is not very concerned about my emotions in this regard.

I would single out three elements, three lines, in this document. The first concerns the critical assessment of

the current situation and the condition of the Russian economy. A great deal is right here, and many facts which attest to the situation that has taken shape are absolutely correct: it is really alarming and precarious. I do not think there can be any particular disagreement about this.

Moreover, I do not think it possible to share the views of those who reassure us somehow and maintain that nothing in particular, nothing alarming, is taking place and that everything is more or less normal. I do not think we can permit ourselves to make such an assessment now and over the next several years.

Second. In my view, the assessment of the situation, mainly its roots, the underlying causes, is subjective in nature to a significant degree. The persons who made the assessment are honest and reputable, of course. Although not all their names were given. All the same, it is one-sided, and it seems to me that this is not suitable for an academic approach to consideration of a problem.

What does the lack of objectivity consist of? First of all, the unequivocally negative conclusion about the intention and progress of those reforms which were implemented in 1992 and 1993, the condemnation of monetarism and price liberalization. It seemed to me that an objective analysis of the positive changes and shifts in the economy, mainly toward a transition to the market, would have been more appropriate. But these shifts are completely obvious, and only a blind person can fail to see them.

Those who were called upon for many years to restructure the Soviet planned economy into a market economy ought to have turned their attention to this. I am deeply convinced personally that objectively, regardless of anyone's will or wishes, we approached a turning point at the end of 1991 when there should have been a breakthrough. By that time, we could no longer continue on a evolutionary path. I have written about this many times, and I continue to hold the same view.

There were other alternatives as well, of course. But then the program's authors should have said what these alternatives were and the price we would have to pay for them. My analysis shows that the ones which could have been proposed for that period and later, through 1992, would have resulted in more severe consequences than the ones which exist now. For this reason, it is not right to make a categorical judgment about what is worse and what is better in this case: when some plan has already been implemented, the alternatives which were not put into effect always can seem better.

I insist: a sensible, unbiased analysis shows that other alternatives would have been worse. What I observed, working together with L. Abalkin in N. Ryzhkov's government, convinced me: the gradual, evolutionary path of development which was conceived in the political and economic situation at that time led to a catastrophe. A breakthrough was inevitable sooner or later.

It took place. The consequences turned out to be severe, not only because of errors and miscalculations in the work of the Gaydar government, but the problems which had accumulated before then. I would say that the scale of the challenge was much greater than human abilities to respond to it so that everything turned out all right, so that no one suffered, so that there were no complaints from the academicians.

This is why they are not assessing the situation as a whole adequately, in my view.

Third. What is the constructive part of the document? I will not deny that there are individual elements in it which deserve to be discussed, and possibly even realized. But as a whole, the spirit of these proposals seems unacceptable to me. And not because it may seem that I am ideologically inclined in favor of one alternative as opposed to another. No, there is a different reason: either the measures proposed will not produce the results expected and will lead to negative consequences that are even more serious, or they simply do not take the actual situation into account and cannot be implemented.

I will not make unsubstantiated statements. I will cite a few examples. One of the program's key features is the proposal on price controls. Meanwhile, it is being implemented. Prices for energy and energy resources are partly controlled, and the tariffs in transportation and municipal services are partly controlled. The document gives particular emphasis to the need to freeze prices for energy resources.

I should say the following in this connection. The process of shaping a market economy is now taking place independently, without regard for the wishes of the government, the Academy of Sciences, or anyone else. It is linked with the establishment of new relative prices and new price ratios. And they are being shaped in spite of all types of obstacles stemming from the structure of our economy. The analysis which we conducted last autumn states: where there is no interference from price controls, the process of moving them closer to world prices is under way.

On the whole, a very positive process. Unfortunately, however, it has its unfavorable aspects, because enterprises are beginning to feel that while they had a comfortable life last year and all the price correlations, outlays for production and technologies, and so forth were balanced, they are now being upset. However, if these upsets had not taken place, there would have been no incentives for restructuring, either!

Practically all our enterprises felt the need to reduce costs for the first time at the end of 1993. And not because someone from the top ordered them to reduce production cost. This has now become a vitally necessary task for them. They must reduce costs or run to the government and ask it to increase excise taxes, particularly because foreign competition is becoming stronger.

The prices for energy and energy resources are the most urgent problem. Because the entire Russian economy has been adjusted to technologies which waste energy, those which consume vast amounts of energy. The gap between domestic prices and world prices for it in the starting period was greater than ever before. Our cost was 7 percent of the world cost of oil.

Now the ratios have changed. But we still have to come up to real price correlations, all the same. I can agree with what was stated in the report: this goal cannot be reached too quickly, instantly. However, liberalization of prices for energy resources is inevitable, and they should be controlled by domestic supply and demand. And so that there is some balance with world prices, we should introduce an energy tax or export duties and nothing else.

Of course, the proposal to freeze the prices for energy resources eases the situation for the processing industry, enabling it to remain in this uncertain position for some time: it may survive, but it cannot reach normalcy. At the same time, the fuel and power complex is in a very difficult situation. It is not receiving the appropriate incomes or the appropriate funds for investment. In the meantime, whether anyone likes it or not, it has a key role in the struggle for Russia's position in the world markets and to restore Russia's economy and competitiveness. It is precisely from the fuel and power complex that we can obtain specific funds to invest in other sectors and to support them, inasmuch as they will not be able to get up to the world level by themselves. Even the best sectors of our processing industry and the science-intensive sectors of the VPK [military industrial complex] require major support from the state for 3 to 5 years in order to come up to world standards and compete in world markets as an equal.

Where are we to obtain these funds? Our raw material, petroleum, and gas are the only competitive products. Clearly, we have to invest funds in this sector to obtain the resources needed. I share the view of the Academy of Sciences economists who say that we should take more from the fuel and power complex, because this is the only complex where a positive value-added is really being created in world prices. All the other sectors are producing a negative value-added.

In theory this is absolutely correct, but in practice the situation today is such that the extraction of raw material is falling and oil production is falling, and huge investments are needed; in addition to this, prices in the world market are dropping disastrously. Our price for a metric ton of oil is now 41,000 rubles [R], but the world price was R120,000 not long ago. Think of it, we had 30 percent of the world value at one point. Now it has dropped to 80,000! For this reason, it is vitally important for us that the TEK [fuel and power complex] stand on its own feet. This is why I believe that freezing prices for energy resources is essentially a conservative idea. I do not think we can follow this path. Some control is

possible, but not so that it interferes with the process of shaping the new relative prices.

The program states that the process under way is making the structure of the Russian economy heavier, while structural reorganization is moving in exactly the opposite direction. Can we avoid this or not? Let us assume we were now undertaking, in conformity with the canons and our way of thinking in the 1970's, to restructure the production structure this way: by giving more to the consumer sector, less to the extractive industry, and more to machinebuilding, as in the years of acceleration. Is this correct? I have serious doubts about this.

The consumer sector. In itself it is not needed, but it has been called upon to provide the public with inexpensive high-quality commodities. But very often the imported products turn out to be better than the domestic ones and more preferable for the consumer. I do not know what kind of sector will survive in the consumer sector, but there is simply no sense in protecting everything in succession. For this reason, the thesis about making the economy heavier, as a reproach and indication that some problem is increasing, is really unconvincing. It seems to me this reflects the ideology of the 1970's, when we assumed that perestroika would take place within a closed Russian economy.

But now we do not even know exactly those strong aspects which will make their appearance, and how the structure of the Russian economy will take shape. Moreover, very positive structural shifts in the country are clearly apparent. Trade and the banking and monetary sectors are developing rapidly.

Not everyone likes this. In this case we say that everything is going into middleman operations, but we need real production. From the viewpoint of Marxist theory, this is correct, perhaps. However, trade and banking also produce a gross domestic product, generally speaking. And if capital has been channeled here now, it means it is more profitable to put it here.

[11 Feb p 7]

[Text] Let us remember what the Russian economy suffers from the most and what it needs to increase its effectiveness. Trade and banking. This is precisely where the mechanism to regulate market relationships is being shaped, where we will be prompted to direct our money, how prices will be formed, and so forth. For this reason, simply to condemn intermediary operations means to ignore the very progressive structural shifts which are taking place in Russia, regardless of what we wish to happen. They are taking place precisely because its economy has turned out to be liberalized and open to a substantial degree.

Let us turn to another thesis in the program, which states that we should control prices and why we cannot make the transition to a market economy like all the other countries. The reason is indicated: the excessive monopolism of the Russian economy. It is really extensive. But

in a closed economy it looks simply colossal. Incidentally, I was one of the first to study monopolism in Russia in the 1986-1987 period. And I am very careful how I treat this opinion now.

I will explain why. Monopolism in the Russian economy has undergone quite extensive transformations, to which few persons devote any attention, for some reason. Many monopolies which seemed to be particularly dangerous ceased to appear that way with the opening of the economy. Moreover, they turned out to be more vulnerable than other enterprises and other sectors.

Here is one of the examples. AvtoVAZ [Volga Automotive Plant] is obviously a monopolist enterprise. But today it is running to the government, asking for higher tariffs on imported motor vehicles. The ZIL [Automotive Plant imeni Likhachev] is doing the same thing. Many of our other major plants have rushed to the center: rescue us quickly, because our products are not competitive and our costs are excessively high. In other words, they felt the competition.

This is what the opening of an economy means. Meanwhile, the economists argued: can it have a substantial effect on the status of the domestic market of a vast country such as Russia, with a low proportion of imports in domestic consumption, and the like? In my view, it has now become clear that opening of the economy is exerting a revolutionizing influence on the condition of the domestic market, on competition, and so forth which is much stronger than could have been expected.

Does this mean that monopolism is not a problem? Of course, it is. But only now its solution requires not general theoretical academic debates, but a more specific and active analysis. The monopolism which exists in the rayon around a dairy plant or a meat combine, or a trade and distribution network, is much more important than the monopolism which we see at the level of industrial giants. From this point of view I may argue with A. Chubays, let us say, that all the statements against financial-industrial groups or large holding companies are not always well-grounded. If foreign competition is really a factor, their influence does not turn out to be so strong.

But of course, these groups will enjoy greater influence within the country than the foreign competitors. And there is unquestionably a certain danger here. But in the document under discussion, this matter is discussed in a very general way and the following verdict is handed down: we have monopolism, and for this reason we should control prices, although the latter does not completely follow from the former. In fact, it is important see where monopolism is particularly substantial now. If we are referring to power companies which raise the rates for electricity, let us say, there is monopolism here and we must combat it. Because we cannot replace energy with a foreign product. At the same time, the regional power commissions are misusing their position: they set the rates lower for their customers and higher for other

regions. And it is necessary to control prices for a period of time. The same thing applies to railroad tariffs. We cannot overcome the monopoly here, and no one in the foreign market will replace it.

It is another matter when we are talking about milk and meat, let us say. But don't we freeze bottling? We have to follow a more difficult, but more reliable route, which consists of establishing alternative ways to bring a product created on sovkhozes and kolkhozes, let us say, to the consumer and giving them the opportunity to build small processing plants, and so forth. This is the kind of work which is being conducted at the microlevel and does not require significant state intervention. So it is necessary to control prices in the exceptional cases when a monopolist becomes too bold, and so forth. There are laws for this as well. But there should not be price controls on a broad scale in any case.

There is one more thesis in the program—on support for certain sectors of industry with state orders. When proposals of this kind are made, the question arises right away: how do we do this? I am not opposed to it. Let us assume that an enterprise needs more time to accumulate investments and many other things in order to adapt to a new situation. How can this be done, how can the process be extended, and what opportunities exist for this? In principle, can this problem be resolved?

Let us assume that we have resorted to the help of state orders. Then whom do we give the obligatory orders to and at a low price? After all, an enterprise may refuse to fulfill it, since most of them are not state enterprises. Moreover, there is a law in accordance with which making it obligatory for an enterprise to accept such orders is prohibited. But even if it agrees, it will say: give me inexpensive materials as well. And then we return to the distribution system which we had before. What for? To make the shift to the market easier? To restore the planning system? This is more than astonishing.

There is another approach. Let us follow the market route. And establishing state orders means they must be paid for at market prices from the state budget. The newspapers are writing here that the government is allocating R14 trillion to purchase agricultural products. Let us assume that the agrarian lobby shook out an order from the government without the hope that the products purchased would be sold at the same prices at which the state acquired them. But after all, there are other sectors of the economy, the military industrial complex, for example. Should it be given an order too? The program did not state which sectors should be rescued with the help of state orders and where the money is to be obtained.

I heard an unpleasant report the other day: our level of tax collection is declining at a catastrophic rate, and the proportion of taxes in the VVP [gross domestic product] as of January this year decreased to almost one-third as much in a year's time. I ask: Can academicians permit themselves to approach the state budget so thoughtlessly,

without the appropriate accounting, without evaluations, without weighing the actual opportunities seriously? After all, they must bear responsibility for what is stated in the document.

In my opinion, if the state does not have the money, it should reduce all kinds of purchases, namely those expenses which are least efficient. I would prefer, in following the recommendations of the program's authors, to spend more money on investments, especially the ones that are most effective, and on a reliable choice of projects. And this means it must be done jointly with private companies, with private capital, with banks and the like. The document says practically nothing about this.

Regrettably, I must come to the conclusion that this is a very poorly grounded proposal which is unlikely to be applied in practice. If the government considered it possible to adopt these proposals as they advise, it ought to reject them very quickly, because it does not have the opportunity to realize them.

Now about the agreements on prices and incomes. This idea is being championed by Yevgeniy Saburov. And I am also inclined to support it. This is a very popular theme now, generally speaking. And even Viktor Stepanovich Chernomyrdin, in speaking about the application of nonmonetarist methods, seemed to refer to the possibility that there there will be such agreements.

A positive case of a similar agreement may be cited: coal miners in the Kuzbass and transport workers agreed that transportation tariffs would be lowered for the coal being exported, in exchange for which the coal miners would share their foreign currency earnings with the transport workers. It would be good if measures such as these are multiplied. But I fear that on the whole, this is a completely unrealistic proposal as a phenomenon on a wide scale.

First of all, we are referring to agreements between producers and consumers, who naturally have different interests. Moreover, both sides are poorly organized. They say that our Russian economy is corporate in nature owing to the ministries and horizontal integration. For this reason, they say, all the enterprises know each other and can easily come to an agreement with each other. They are not reaching agreement well at present. But if we come to the level of a trilateral commission, where negotiations are conducted on incomes, prices, and other matters (I mean trade unions, businessmen, and the government), it will turn out that these persons do not enjoy prestige among those they have undertaken to represent. For this reason, the decisions adopted at the level of this trilateral commission will not be considered obligatory by anyone below it.

So we are not prepared to realize this idea yet. In our domestic market, representatives are not inclined to consolidate and uphold their interests together at the state level. There is only competition among them at present. Each one is fighting for his own piece, for

himself. For this reason, I do not believe that such agreements will become an effective tool of the market soon.

But if this is true, the government has no other alternative left to hold back inflation except a strict monetary policy. They call it monetarism. But this is normal financial discipline which is the norm in economic life, and until such discipline exists, there can be no discussion about any kind of market economy.

I would agree with authors of the report which state that elimination of the budget deficit cannot become the meaning of life and that domestic industry cannot be strangled for the sake of it. I would agree with them if this deficit were not as large: it is actually more than 10 percent. If we put together all the proposals by ministries and departments on expenditures now, the deficit would be over 16 percent. That is a catastrophe.

Who can proceed to do this, what kind of government, even if it is the most protectionist one? Let the academicians speak with the directors about what is impeding them the most. They say: we are being impeded primarily by the high taxes. But when you begin to touch upon the essence of the processes taking place, it turns out that inflation interferes with them most of all. Because while they have earned a certain amount of money, it is quickly devalued. They have to invest in working capital all the time. There is not enough money, and then the directors begin saying: they collect the taxes, they say, and credit is expensive... Correct, but the only means of doing away with all these ailments is by beating inflation.

This is why I believe it is not at all correct to resort to the false pathos of the slogan: down with monetarism as a foreign invention which is harmful to the Russian soul. We are referring not to monetarism, but elementary financial discipline and realization that the printing press cannot be the source of the country's welfare. I believe the program's authors are well aware of this.

Shokhin Against Academicians' Economic Reforms Plan

944E0516A Moscow *FINANSOVYYE IZVESTIYA*
in Russian No 6, 10-16 Feb 94 p 2

[Article by Yevgeniy Vasilchuk, *FINANSOVYYE IZVESTIYA*: "For the Time Being the Fantasies of New Programs Are Far From Reality"]

[Text] The report by the Department of Economics of the Russian Academy of Sciences and of the "Reforma" [Reform] Fund (the Abalkin-Petrakov-Shatalin report) was received very coolly in Russian "upper circles." Economics Minister A. Shokhin called the proposals by the three academicians too general. Presidential expert analysts noted their conservatism.

Indeed, such provisions of the academic program as the rejection of voucher privatization and the strengthening of state regulation of price formation simply do not

correspond to the real economic relations presently existing in Russia. The "sweepingness" of the measures proposed in the area of structural policy, essentially, requires the restoration of administrative-command levers of economic management.

The report-program of "real economic reforms" by a group of specialists of the Central Economic and Mathematical Institute, which was submitted to the government by S. Glazyev, chairman of the Committee on Economic Policy of the State Duma, was received much more favorably. A. Shokhin even said that the proposals in Glazyev's report were in the channel of the economic concept ripening within the government itself.

As compared with the program by the "three academicians," the approaches in Glazyev's report seem more progressive. The achievement of the structure of world prices with a moderately liberal utilization of the classic tools of state regulation of the market economy, that is, tax, customs, antimonopoly policy, and so forth, is anticipated. In the opinion of the authors of this report, together with an active organizational and industrial policy and the creation of powerful financial and industrial groups this will make it possible to optimize costs on the scale of the entire national economic complex and to concentrate investment resources at promising technological growth points. The document acknowledges the importance of social transfers and of psychological support for the spirit of entrepreneurship and innovation, as well as the need to create an equality of information opportunities.

In the final analysis, the program of the Lvov-Glazyev group represents a certain intricate methodological hybrid. On the one hand, ideas close to competitive equilibrium trends in economic theory prevail in macroeconomic sections. On the other hand, the mechanism of recovery from the crisis is based on dynamic models of "transformation growth," that is, with an emphasis on technological innovations and entrepreneurial enthusiasm.

Conceptually, the mixture of the Central Economic and Mathematical Institute seems not bad. In the end a moderate dose of theoretical eclecticism is inevitable and even necessary in economic program research and development. The vector of historical optimism in Glazyev's report is also directed forward, which distinguishes it advantageously from traditional academic conservatism "looking back at yesterday." The formation of powerful financial and industrial groups has the right to life both in theory and in practical policy, provided it occurs as an objectively necessary process—regulated within the framework of antimonopoly legislation—of concentration and centralization of national financial capital and does not force its way from above as an end-in-itself project of the currently fashionable economic doctrine.

However, neither the report itself nor the numerous alarmist statements by its principal elaborators contain

the chief thing—a set of strictly practical recommendations, the implementation of which would enable the government, in the next one and a half to two years, to keep the economy under control and “to hold out” until the mechanism of investment resource conservation and of the “technological” multiplier begins to operate.

Under the slogan of advancement toward world price proportions, in fact, the report evades the most acute problem of a current—immediate—efficient integration of Russia’s disproportional economy and of the world economy. The inflation of sellers and the noncompetitiveness of the domestic industry, alas, are not a myth. Otherwise, the government’s protectionist lobbying would not be so strong.

In contrast to the Abalkin-Petrakov-Shatalin program, which expects to actuate a state-controlled price mechanism of redistribution of income from competitive export sectors in favor of the inefficient area of the economy, the research and development of the Central Economic and Mathematical Institute propose that tax levers be used and that the rent from natural resources be made the determining basis for the tax system. Thus, in the opinion of the authors of this report, from one oil and gas complex it is possible “to extract” 30 billion dollars of income annually! At the same time, how and from what investment sources the latter should develop large-scale production involving the initial processing of fuel-power and raw material resources before 1995 remains only a guess.

Both reports allot a special place to the credit and monetary system, the banking sector, and currency regulation. In many cases reproaches directed against the credit and financial sphere must be considered justified. Almost all sectors of the economy and society at large have a tremendous grudge against the banking sector and the country’s credit and financial system (including state finances).

Therefore, the recommendations to toughen bank control and currency regulation are politically explicable. Economically, however, they are poorly justified and their obvious “overdosage” and the new government’s passion for administrative prescriptions can lead to opposite results.

Finance Ministry Reduces Short-Term Bonds Emission

944E0497A Moscow KOMMERSANT-DAILY
in Russian 9 Feb 94 p 9

[Article by Sergey Aspin: “The Ministry of Finance Has Reduced the Size of the Bond Issue”]

[Text] *The Russian Federation Ministry of Finance had to reduce the size of the latest state short-term bond issue dramatically. According to an official report the Central Bank released yesterday on the new, 10th state short-term bond issue, the amount will be 100 billion rubles, or 30 billion less than the previous issue. Therefore, for the first*

time in the history of the short-term bond market, the Ministry of Finance has had to reduce the amount of the bond issue to below the amount of the previous issue. Besides this, yesterday’s Central Bank report limited the portion of the total issue available to foreign investors.

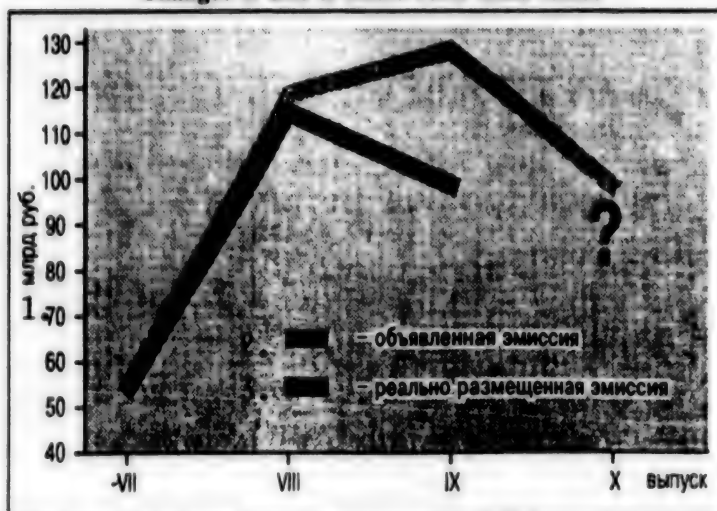
The failure of the January primary state short-term bond auction, when the Ministry of Finance was able to float only three-fourths of the projected amount of the latest “portion” of the domestic debt, forced the country’s main financial agency to take a more cautious approach in deciding the size of the anniversary bond issue, the 10th. For the first time in the history of the short-term bond market, the Ministry of Finance had to reduce the amount of the latest issue to below the previous figure, and the reduction was equivalent to 23 percent of the originally announced amount, which is extraordinary in itself.

Exports from KOMMERSANT-DAILY believe that the insubstantial results of the January auction were not the only reason for the Ministry of Finance’s reduction of the bond issue. After taking a look at the results of the Central Bank’s regular surveys of financial dealers, the organizers of the state short-term bond market apparently decided that the Ministry of Finance had lost the trust of many investors after the winter changes in the government and the probable dramatic adjustments of the reform policy. It is significant that the projected changes in the policy of economic reform were supposed to have been approved or rejected by the Council of Ministers at a meeting scheduled long ago for 17 February. Judging by the dynamics of key interest rates (particularly the current yield on Ministry of Finance short-term bonds and foreign securities), the market was clearly preparing for the worst. This means that next week the dealers are more likely to conduct operations in the foreign currency market than to invest in the Ministry of Finance’s ruble bonds. If large dealers act on these intentions, it will be extremely difficult for the Ministry of Finance to float a debt of even 100 billion rubles on 15 February, the date of the primary auction of the 10th issue of state short-term bonds.

Experts from KOMMERSANT-DAILY believe that the slightest hint of any possible destabilization of the foreign currency market this week will discourage participation in the primary auction on 15 February because it will be inadvisable from the standpoint of short-term speculative profits. In this case, the Ministry of Finance probably can expect insufficient demand for the bonds, and this will immediately reduce the liquidity of the secondary bond market.

Besides this, yesterday’s Central Bank press release set a limit of 10 percent of the total issue (10 billion rubles) for foreign investors. The Central Bank’s technical move to regulate the market aroused the interest of the KOMMERSANT-DAILY experts: This is the first time that objective figures can be used as a basis to estimate the

Changes in Size of Short-Term Bond Issues



Key: 1. Billion rubles; 2. Declared emissions; 3. Actual emissions

demand for short-term state bonds among foreign investors, because approximate estimates of the foreign interest in these bonds have been impossible up to this time.

Finance Ministry's Draft Document Shows Budget Deficit in '93

944E0520A Moscow KOMMERSANT-DAILY
in Russian 12 Feb 94 p 3

[Commentary by KOMMERSANT-DAILY scientific editor Nikita Kirichenko: "The Deficit Has Exceeded Expectations"]

[Text] According to information received by the editorial staff, specialists in the Russian Government and the State Duma will begin next week to analyze the indicators prepared in the Federal Treasury on results of implementing the 1993 budget. The document was sent to leading parliamentary committees yesterday. KOMMERSANT-DAILY's scientific editor, Nikita Kirichenko, comments on the results of implementing Russia's budget.

Just as KOMMERSANT-DAILY experts expected, the Ministry of Finance put together a budget which deviates substantially from the indicators set by legislation in July 1993.

Revenues of the federal budget were on the order of 17 trillion rubles [R] with a shortfall of R7 trillion against the plan. Receipts from the NDS [value-added tax] (a shortfall of R2 trillion), excise taxes (a R1.6 trillion shortfall), and incomes from foreign economic activity (a R2.1 trillion shortfall) "lagged behind" substantially.

Now about expenditures. Despite the fact that the Ministry of Finance indicated the figure of R34 trillion in its official record of the 1993 results, in order at the very least to blend with the maximum figures of the budget

deficit designated in the Ministry of Finance-Council of Ministers statement No. 1-10/2-204 of 18 October. Let us remind you that the statement said the budget deficit in 1993 may be "squeezed" to R17 trillion as opposed to a possible R22 trillion as a result of the combination of measures being proposed by the Ministry of Finance.

However, the KOMMERSANT-DAILY experts are inclined to appraise the actual sum of budget expenditures in 1993 not at R34 trillion, but R42 trillion. As we have already written, the point is that liabilities in unsequestered expenditures from the 1993 budget totaling R8 trillion were carried over to the beginning of 1994. Including debts to the Ministry of Defense (R1.2 trillion), to the APK [agroindustrial complex] for crop purchases last year and subsidies (R2.7 trillion), and to the construction complex for work already completed (R1.5 trillion). Now this fact has been acknowledged officially by members of the cabinet—by Aleksandr Shokhin, Sergey Dubinin, and Viktor Gerashchenko.

They managed to "turn over" this debt to some extent through a simple stratagem—the money was sent to numerous budgetary enterprises in the last days and hours of 1993, and the enterprises were physically unable to pay employees' wages in time. This created a serious problem for them, inasmuch as beginning on 1 January 1994, the budgeted money not taken out was automatically entered as unclaimed income for the 1994 budget. It was claimed, naturally, but in 1994. After carrying over the old debts to the new year, the Ministry of Finance asked the TsB [Central Bank] for R7.5 trillion in credit for the first quarter of 1994.

But what will come out of all this? First of all, the real budget deficit in 1993 may be estimated at R25 trillion,

or 15.4 percent of the gross domestic product. (According to the latest data from the Goskomstat [State Committee for Statistics], the GNP in 1993 totaled R162.3 trillion.)

Secondly, credit for the budget in the first quarter of 1994, asked for by taking into account the old debts, essentially exhausts the Central Bank limit for this period and completely deprives it of the opportunity to refinance the country's economy in the first quarter

through the commercial banks. (Let us remind you that in 1993, the Ministry of Finance was ashamed to take more than 50-60 percent of the total sum of the Central Bank's credit investments for itself—the rest went to extend credit for the economy anyway.)

Thirdly, repayment of the old debts will inevitably turn into a powerful inflationary surge by the end of the first quarter.

Implementation of the Russian Federation's Federal Budget in 1993 (in Trillions of Rubles)

Item	Precise Budget Indicators	Actually Implemented
Total income	24.4775	17.1538
Total expenditures	39.4539	34.0832
Deficit	14.9764	17.2514
including what was financed through national sources	11.9264	15.8006
The deficit in percentage of budget expenditures	38.0(30.2) *	50.6(46.4)
The deficit in percentage of GNP	13.1(10.4)	10.6(9.7)

*The deficit financed from national sources is indicated in parentheses.

Changes in Tax, Budget Strategy Under Consideration

944E0488A Moscow KOMMERSANT-DAILY
in Russian 5 Feb 94 p 5

[Article by Sergey Viktorov, Vladimir Yakhontov, and Svetlana Voronkova under the rubric "Draft Tax Reform Discussed": "Authorities May Change Budget Policy"]

[Text]

[begin box]

The main proposals for reform of the tax-budget system in Russia contained in the report "Basic Directions for the Formation of the Economic Policy" are:

—Transformation of rent payments into a decisive item of budget revenues. Collection of natural rent through the transfer of deposits for leasing for an indefinite

Sources to Cover the Budget Deficit in 1993



Key:—1. Central Bank's Profit—2. Other revenues—3. Emission of state securities (1 percent)—4. IMF credit—5. Central Bank credit

period of time with the establishment of the lease payment in dollars, depending on the world price of the extracted product. The active use of rent for the utilization of land, especially in cities and suburban zones;

- Reduction of the number of taxes, fees, and payments through their unification or abolition. The establishment of standard normatives for the distribution of tax revenues amongst budgets at various levels. The establishment of automatic procedures (built into the bank settlement mechanism) for collecting taxes to replace declarative ones;
- Replacement of progressive income tax systems with proportional ones with the simultaneous introduction of tax on the property of legal entities and individuals, a 50-percent tax for exporting capital, and taxes on operations involving real estate and securities (3 percent of the value of the transaction);
- Replacement of income and profit tax with a consumption tax to be paid by legal entities. The establishment of a standard rate of value added tax in the amount of 10 percent. [end box]

A radical change in the tax-budget strategy of the Russian authorities is becoming increasingly probable. Having discovered the ineffectiveness of the utilization of the existing tax system to resolve the budget crisis, leaders of both federal and local governments do not rule out the possibility, in a certain stage, of resorting to a reduction of traditional taxes and making rent payments the main source of budget revenues. This is shown by the attention paid by specialists of the Government of Russia and also the Governments of Moscow and St. Petersburg to proposals contained in the report received yesterday from experts of the Central Economics and Mathematics Institute, "Basic Directions for the Formation of the Economic Policy." The thrust of the report is to rely on rent payments for replenishing the state budget. It is significant that among the authors of the report is the chairman of one of the key parliamentary committees, the Committee of the State Duma on Economic Policy—Sergey Glazyev. The prospects of legislative support for these ideas make it crucial to analyze the possibilities of such an adjustment to the economic policy.

Russian Authorities in Search of Budget Revenues: Reliance on Rent Payments

The attempts on the part of Russian authorities and academic circles to find some nontraditional sources for radically increasing budget revenues are quite natural. Surmounting the crisis of state finances is officially considered to be almost the main objective of the economic reforms in Russia. It is especially significant that this is insisted upon by international financial circles, which proceed from the idea that without improvement in its financial system Russia will hardly be able to surmount the economic crisis and resolve the problem of its foreign indebtedness. It is significant that at the

present time in the Russian economic policy methods of achieving financial stability through reducing budget expenditures are losing popularity—since the reduction of budget aid to key branches in the social sphere, as has become obvious, leads to an extremely significant increase in sociopolitical tension.

Therefore main attention is drawn to an idea that has gained popularity recently, which is that it is possible to resolve the problem of increasing budget revenues rapidly and radically by relying not only and not so much on traditional taxes (value added tax, income tax, profit tax) as on rent payments for the use of state mineral deposits and agricultural land. In particular, this is the idea contained in the recently published report prepared by the Central Economics and Mathematics Institute entitled "Basic Directions for the Formation of Economic Policy." It is noteworthy that one of the authors of this report is the chairman of the parliamentary committee on economic policy, Sergey Glazyev. Thus it cannot be ruled out that in the foreseeable future such an idea will be the official "contribution" from parliament to the adjustment of the federal economic policy. Moreover, sympathies for this method of replenishing the budget are not concealed by influential figures in local organs of power either—especially in the Moscow and St. Petersburg Governments. For example, the December directive from the mayor of Moscow contains an instruction to the Department of Economics to prepare a proposal for increasing land tax and reducing other taxes. The obvious merits of this idea contribute a great deal to its popularity. Since the government up to this point essentially retains ownership of natural resources, it would be natural to make maximum use of them for replenishing state finances. In essence, this is being done already to a certain degree—for example, existing excise taxes on the extraction of oil, in spite of their name, are nothing other than differential rent.

To be sure, such a path to surmounting the financial crisis has one essential shortcoming—it is clearly based on preservation of the state monopoly on natural resources, particularly the land. And many Western experts, insisting on budget stabilization as a necessary component of market reforms, reject the idea of a state monopoly on natural resources. Particularly the prominent Harvard professor Jeffrey Sachs, who recently left the post of adviser to the Russian parliament, asserted that land rent cannot be the main source for replenishing the budget, and he considers privatization of the land to be the most important and urgent problem. But recently it has been increasingly popular in Western financial and industrial circles to think that rejection of the state monopoly on natural resources in Russia is not mandatory—in particular, many Western investors are completely prepared to limit themselves to obtaining land and mineral deposits under a long-term lease. Thus it is quite probable that the idea of budget stabilization and financing of the development of Russia's economy through rent payments will not evoke fundamental objections in the West. The more so since initially such an idea appeared precisely in Western economic theory.

World Theory and Practice of the Utilization of Rent Payments in State Finances

The diversity of rent theories does not change its essence. When speaking of rent one is usually referring to the added profit that is received by the owners of an especially productive resource as compared to their competitors, who have resources with less productivity (the added profit is received simply because certain producers have considerably lower production outlays than their competitors and sell their goods in a competitive economy at the same prices). The most typical source of rent in productions involving natural resources is from agriculture or the extraction industry. This is natural since natural resources essentially cannot be created by man and so they are limited—therefore the difference, for example, in the fertility of the soil or the productivity of deposits is relatively constant.

The fact that the owner of particularly fertile land receives a certain profit whose source is "nature" has quite naturally attracted the attention of economists almost since the origin of economic theory. It was quite tempting to declare the appropriation of such a gift of nature by one person to be unfair to a certain degree. Therefore when searching for sources of state financing, it was extremely popular among economists to demand that rent be paid into state revenues—with a simultaneous reduction of taxes, which in any country have caused dissatisfaction among entrepreneurs and the population. Theories based on such a change in budget policy are fairly diverse. Some suggest abolishing all taxes and leaving only a high tax on the land (Henry George), while others suggest introducing differentiated tax separately for buildings and separately for the plot of land, leaving the basic tax burden on the land (Nicholas Tiedeman, Stephen B. Cord), while still others (Fred Harrison, Francis Smith) want to change the entire structure of the tax policy by increasing the tax on land and reducing other taxes (income tax, profit tax, value added tax).

The initiator of the idea of financing the budget through rent alone with complete abolition of all other taxes was the American economist Henry George, who back at the end of the last century stated: "To abolish taxes which, by acting and counteracting, now slow up every wheel of exchange and oppress all kinds of industry, would mean to shift an immense load from this mighty source...if somebody is building a ship we force him to pay for this audacity as if he had done harm to the state; if a factory is built we impose on it an annual tax which would be more than enough for a decent income...." Such a theory has adherents at the present time as well. According to calculations of the London Association of Scientific Research in the Area of Economic and Social Sciences, in the majority of developed countries land rent makes up about 40 percent of the national income, and the rents would be quite enough for the governments to cover state expenditures. But not all economists are so radical. Nicholas Tiedeman and Stephen B. Cord limit themselves to this tax policy on the scale of individual

cities. But they make analogous proposals—to leave only tax on land for financing local budgets. It is suggested that the amount of this tax be determined by regularly offering the right to use sections of it at auctions.

Concretizing the use of rent payments for financing the budget, a number of researchers, particularly Stephen B. Cord, suggest rejecting the existing system whereby taxes on land and real estate are the same and sharply increasing the tax on land, while reducing property tax on buildings (which, in his opinion, will provide an impetus for new construction). This theory was applied, in particular, in Pittsburgh (Pennsylvania, United States) where, beginning in 1979, the tax rate for land was almost doubled but the amount of the tax on buildings remained the same. The tax rate for land was 9.75 percent, and buildings—2.45 percent. (Since that time they have changed periodically, and today they are 15.15 percent for land and 2.7 percent for buildings.) As a result, during 1980-1984 the volume of new construction in Pittsburgh increased 5.9-fold as compared to the period of 1974-78 (according to figures from the Bureau of Construction Inspections). And in the United States as a whole the volume of new construction has increased only 1.6-fold during that time.

But, in spite of the fact that in theory reorienting the state budget completely to rent payments produces appreciable advantages, large-scale practical introduction of such a plan would naturally be extremely difficult. A special role here is played by the active resistance of the landowner lobbies, which are traditionally quite strong in practically all industrial countries.

Prospects for Reorientation of Budget Policy to Rent Payments

On the whole one can say that the concept of augmenting state finances through the use of rents and real estate taxes completely corresponds to the interests of the Russian authorities. At both the federal and the local levels the authorities are interested in demonstrating a desire to reduce taxes on profit and income "in order to stimulate national industry and entrepreneurial activity." It is essential that the authorities will be able to count on more stable revenues from rent, lease payments, and real estate tax than from other taxes, the more so since profit and incomes, as practice shows, are easier to conceal from taxation than are land and real estate. Moreover, as the report from the Central Economics and Mathematics Institute shows, the authorities might consider it preferable to calculate rent payments—particularly when leasing mineral deposits—directly in hard currency. This too could stabilize budget revenues under conditions of inflation. According to the report, the most reasonable method is considered to be leasing mineral deposits for an indefinite period with the collection of the lease payment in dollars. The amount of the payment should be established depending on the world price of the product extracted. According to calculations of the Central Economics and Mathematics Institute, for rents for products of the petroleum and gas complex

alone, when calculated in world prices, the budget would receive about \$30 billion annually.

In order not to evoke a counteraction from the "petroleum and gas lobby," the authorities might very well try to use another formula that was proposed in the report—sharply reduce all taxes on leasing enterprises and guarantee that in any case the enterprises will be left with enough profit to cover the needs for the development of the complex itself. Of course, mass support from local authorities for such an idea will depend largely on how the rent payments are divided between the local and federal budgets. Incidentally, the interest of local authorities in radically changing the tax policy certainly does not mean that this can be done quickly from a purely technical viewpoint.

Tax Reform in Russia: The Opinion of Tax Organs

As one might expect, specialists of tax organs, who are traditionally cautious about innovations, are fairly skeptical about the reform. In their words, to conduct a tax reform in Russia in the near future with a shift of the main burden from income taxes to land payments is not very likely. The main argument against changing the structural foundations of the tax system is the technical impossibility of correct calculation of both the real value of the land and the effectiveness of conducting such a reform from the standpoint of budget revenues.

The impossibility of calculating the value of the land, in the opinion of tax organ specialists, is conditioned by the fact that there is no liquid land market in Russia today. Therefore there is no possibility of determining the price of "similar" plots put up for auction. The institution of real estate appraisers as such (and especially land appraisers) is only in its initial stage of development. All this will also lead to a situation where it will be practically impossible to calculate the effectiveness of the land tax, since there is no basis for calculation.

Even if approximate calculations are done and they show that shifting the tax burden to large land holders is attractive for the budget, this certainly does not mean that everything will turn out that way in reality. The reason is that, as practice shows, replacing typical laws with less familiar ones without the preliminary practice of "breaking them in" leads to a reduction of revenues into the state budget. The taxpayers (and fiscal echelons as well) are simply not in a condition to correctly calculate the sums due to the budget. Moreover, the normative documents that introduce the new taxes might contain (or might not contain) a considerable number of "loopholes" which allow the leakage of a considerable amount of money on which the budget could count. Such a situation developed, for example, when the former turnover tax was replaced by the value added tax. A means of evading taxation by using false fines, which seems obvious today, was closed off only two years after the introduction of the law on value added tax. It is probable that this is why one of the highly placed workers in the Ministry of Finance, commenting

at the request of the KOMMERSANT editors, on the proposals for the tax reform, worded his opinion fairly emotionally: "Under today's conditions only an enemy could suggest such a thing!"

And so the only thing that can be expected from the increasing popularity of the theory of land payments as the basis of public well-being is the conducting of experiments in cities that are most susceptible to new trends: Moscow, St. Petersburg, and Nizhny Novgorod. They will most likely consist in considerably raising the rates of the existing land tax, which will require additional decisions at the level of federal authorities since a limit on raising these rates has now been established. And there is no guarantee that this will occur along with any significant reduction of taxes on profit and income.

Indexation of Personal Savings, Excessive Quantity of 'Free' Cash in Circulation

944E0506A Moscow TRUD in Russian 18 Feb 94 p 2

[Article by I. Ostrovskiy: "Yes, You and I Are Rich Men!"]

[Text] As of the first of February, indexation of Russian citizens' personal savings has begun: savings deposits have increased threefold since 1 January 1992. However, the old familiar lines outside savings banks made up of people anxious to be personally convinced that their account was properly indexed are no more.

The general indifference is not surprising. Three years ago a pensioner who had accumulated a thousand rubles in his passbook felt reassured. He knew he had enough money for several months of normal existence or, God forbid, for a decent funeral. Today, the same deposit, even threefold, would barely get him an extra bottle of vodka, and not even one from the famous Kristall factory.

In previous, pre-reform years, each person who had even a few rubles in his savings passbook became a creditor of the state and its economy. There was a time when citizens' savings equalled 80 percent of the domestic national product. The state used this huge sum of money freely, boldly, and carelessly to extend credit to industry and agriculture.

At first glance, we were being robbed openly and impudently; no other country in the world would have paid such a tiny rate of interest on deposits. Only now does one realize that in many ways the uncontrolled utilization of our money made it possible for prices for most consumer goods to be kept virtually unchanged for many long years.

In January 1992, price liberalization came crashing in. Worker savings quickly evaporated. It was the lightning robbery of millions of law-abiding citizens.

This event predetermined both the enormous losses for the economy and the impossibility of establishing social

peace and calm in the country for many years to come, above all because people lost faith in the state and the course toward democratization and reforms, to which millions upon millions linked their impoverishment. The state itself, deprived of huge free credits, began to search for other sources that would keep the economy functioning at least minimally. Since the former billions were no longer on deposit, the state was forced to resort to unrestrained credit emission.

Today many specialists feel that high rates of inflation, rising prices, and the impoverishment of millions are the consequence not so much of price liberalization as of the unrestricted credit emissions they are attempting to use to replace the old "private" credit.

Right now the chairman of the government and the vice premier talk about the need to repay their indebtedness to certain branches of the economy, to supporting their preferential loans. They are talking about 5-6 trillion rubles [R] already in the first quarter of this year. Obviously those trillions are not in the state treasury. If they are to give them out to miners, oil workers, defense workers, and agriculture, money will have to be printed, plain and simple. Monetary emission that is not reinforced by a growth in production and services, however, is the direct route to accelerated inflation and price increases, to poverty for some and excessive wealth for others.

Let us ask ourselves a question, though. Is our state truly so poor, is it so catastrophically short of money? The state, that is the government, the Central Bank, and the Ministry of Finance, may not have money. But you and I have "free" money. Quite a lot of it. You don't believe it?

Goskomstat (State Committee for Statistics) publishes a survey, *The Socio-Economic Status of the Russian Federation*. In issue 11, in a chapter entitled "Standard of Living," on page 61, highly eloquent figures are published confirming what is at first glance a debatable assertion about the unprecedented wealth you and I possess. Between January and November of last year the population held cash used to purchase hard currency and bank deposits that amounted to nearly 22 percent of all income received. Is that a lot or a little? Let us calculate: according to the same survey, the population's income for those 11 months totaled R42.2 trillion. This means that the free money—that is, the cash in our pockets, hard currency acquired, and bank deposits—for you and me came to about R9 trillion.

We can assume that in three months the population accumulates more than R10 trillion in free funds. If the government had the opportunity to utilize some of this money, to put it into economic circulation, there would not be such a need for emission, preferential credits, inflation, and further price increases.

All that remains for us is to bring it to the savings banks and place it in our personal accounts. Why aren't we

doing that? Why do we prefer to buy hard currency and securities, to make deposits in commercial bank deposit accounts?

For one simple reason. Hard currency and commercial banks protect our money better from inflation. In order to be convinced of this, a simple calculation will suffice. Last year, the value of the dollar rose threefold. This means, the sum which someone at the beginning of the year put into the purchase of "greenbacks" grew by that much. This, of course, is not full compensation for the devaluation of money, but it is still at least some protection. The exact same effect could be derived in a bank account, given a 200-percent rate of interest. As we know, savings banks are not offering their depositors these kinds of conditions. Commercial banks, though, are taking money from the population at 300-350 percent.

Unfortunately, neither deposits in commercial banks nor the purchase of hard cash can have as restorative an effect on the economy as "private" credit. Last year, 95-97 percent of all loans made by commercial banks were short-term loans for no more than three months. Normal goods production requires loans for at least half a year.

The hard cash, the billions of dollars acquired by the population at exchange points, cannot work either because they lie like a dead weight in citizens' apartments or in the accounts of those same commercial banks.

So there is much more free money in the country than before, but for the government, the economy, and society as a whole, it is useless.

Is it possible to put those R9-10 trillion that remain with the population in the first quarter to work? Undoubtedly.

For instance, it is worthwhile interesting commercial banks in long-term loan extensions for production. How? With the help of tax benefits or the transfer of property or real estate. Interest on savings bank deposits can be raised significantly. If rates exceed at least 200 percent, then many would prefer a savings bank to other financial structures. Despite all the upheavals and disappointments, many have retained their traditional trust in state guarantees. If the conditions for keeping money come even a little closer to what the commercials are promising, millions of people may again go to the savings banks.

Although voucher privatization is proceeding at a speedy rate, the state still retains a significant share of property. Here it is, especially after recalculating the value of basic funds: this could become a guarantee for the repayment of debts to tens of millions of citizens.

The state could transfer to the Savings Bank shares or debt obligations with right of sale at auction. The earnings would yield money for the fair compensation of

deposits. Not by a pitiful and ridiculous factor of 3, threefold, but by a hefty and tangible factor of 50-70. This would return to the state its citizens' confidence and sympathy.

Confidence will return. No one will be afraid to give his money up, and the state will receive a powerful financial source for reforming the economy without emissions or inflation. This year the country's population is going to have approximately R35-40 trillion. The possibility of utilizing even half of this sum would mean the return of our hopes for the economy's stabilization. Isn't this prospect worth making a decision, after having thought it all over and weighed everything, that would satisfy tens of millions of people?

President of 'Kredo-Bank' Defends Gerashchenko's Financial Policy

944E0483A Moscow OBSHCAYA GAZETA
in Russian No 6, 11-17 Feb 94 p 5

[Interview with Yuriy Agapov, president of Kredo-Bank, by Andrey Zverev, chief of the economic department of the government staff, Doctor of Economic Sciences Gennadiy Lisichkin, and Mikhail Dmitriyev, financial consultant to OBSHCAYA GAZETA, under the "The Professional" rubric; publication prepared by Irma Mamaladze; place and date not given: "Hugs and Kisses, or Shoves and Hisses: Pages From the Life of Kredo-Bank President Yuriy Agapov"]

[Text] They say that the time of the amateur has come. Our society has never before perceived the lack of professionalism, especially in politics and the governance of the country, so acutely. Part of the reason may be that, for the first time in many years, politics and governance are again becoming spheres for professional rather than party-sponsored activities. The longing for professionals expresses the deep-down yearning for stability: As a rule, professionals do not get carried away by radicalism. We decided to begin the discussion of professionalism by meeting with Yuriy Agapov, president of Kredo-Bank, because a person who has managed to put on its feet one of the most stable and respectable banks within a short period of time is definitely a professional. We invited to the meeting Andrey Zverev, chief of the economic department of the government staff; Doctor of Economic Sciences Gennadiy Lisichkin; and Mikhail Dmitriyev, financial consultant to OBSHCAYA GAZETA.

1. Do Not Worry! We Love You....

[Interviewer] How did you start out?

[Interviewer] What does it mean to open a bank?

[Interviewer] Was there an element of chance in the decision you made?

[Agapov] I was born on 13 December 1958 in Belarus, in the small settlement of Ros. My father served in the Air Force. He got caught in the cutback of the military by

Khrushchev, and he got what he got: a lathe till the end of his days. He worked in Moscow at a plant that was, incidentally, headed by Skokov—the Foton Plant. This is a small world.

I graduated from the finance institute. Later came graduate study and a dissertation. I tried to engage in science, but later, when I understood that this held absolutely no promise, I switched to the Komsomol [All-Union Leninist Communist Youth League]. I was a member of the city committee, got certain "ins," some connections, acquaintances.

In 1988, after a meeting between young people and Gorbachev, a once-in-a-lifetime random event occurred: I shook hands with him, and this picture ended up in newspapers. At this point, it was as if someone had lit a fire under me; I decided to do something of my own.

Actually, I took up the Komsomol in order to get ahead in life at least somewhat, too, because given the family I came from, I had no other career opportunity.

So in 1988 I burned all my bridges and embarked on a risky venture, because I did not have a kopek to my name, not a thing. However, I must have had quite powerful inner strength. As early as 27 March 1989, I got my bank registered. This was a bank that had neither money nor premises. If I could start everything over, I would never again get involved in this risky venture: this is how much dirt and filth I have gotten to see along the way. Most importantly, I have lost very many people whom I had considered close friends but who, having gotten access to enormous amounts of money, turned "swinish" right before my eyes.

There were two of us, my driver in the Zhiguli and I. Of course, it appears ridiculous now. Subsequently, I made the rounds of a few cooperatives, which had promised me 1.1 million rubles [R], but then for some reason refused to give me this money, just the way it happens. Later, some wise guy came along who decided to take this hollow bank away from me. There was a Russian-style, communal kitchen-style squabble. As a result, I borrowed R3,000 from friends (at the time, this was a lot of money), went to the cooperatives that had signed a contract with me, and said: Take this, and you do not have to pay it back, but send me a noncash transfer and resolve to admit new shareholders. This was an act of desperation, but things started moving.

Later, I met with Mikhail Aleksandrovich Bocharov. I latched onto this locomotive (to be sure, later it turned out to be a cart), and we prepared a Council of Ministers decree on an experiment in the Butek Concern. After the decree on the Butek Concern was issued on 25 January 1990, we were granted absolutely unlimited rights! It was altogether fantastic! At the time, I was very naive; it appeared to me that, since there was a decree signed by Ryzhkov, everybody would rush to carry it out. They laughed in my face: You had it signed? Now write your licenses yourself!

After two months of wandering from office to office in vain, I took a desperate step. I went to France to meet with Pierre Maurois, deputy mayor of the city of Lille.

OCCASIONAL REMARK: And here is an ace in the hole.

[Agapov] I knew a gentleman by the name of Jean Raymond de Greve. He was a duke, a real one. He turned out to be an aide to Pierre Maurois who helped me to obtain a permit from the Bank of France to open a correspondent account in France.

What followed was a like an episode from a good play. Leonid Ivanovich Abalkin gathered us in the Kremlin to review the results of carrying out the decree of the Council of Ministers. Everyone knew that this was spectacle, but.... My turn came. Why did you fail to obtain a license? Is Gerashchenko not here? Fine, we will postpone it. I said: What do you mean by postpone? I have to open accounts! Malinin from the Bank for Foreign Trade rose up and stated: There is nothing to discuss; this is a small bank, nobody has heard of it, nobody will open an account for it. So I produced the paper with the signature of Pierre Maurois and put it on Abalkin's desk.

At this point, Bocharov decided to have our wings clipped. He called me to see him at the Rossiya Hotel and said, in this kind of tragic voice: "I know everything about you. I know how many bribes you take, but do not worry, I will not turn you in. The only thing that I need from you is to bring in all client files and credit contracts to be looked over and for comradely advice to be given." I answered: "There is no problem! However, what you have just said is slander, so let us see a procurator and sort this out."

Further on, the full treatment began, and they began to drag in my employees to give testimony. By then, about 40 people worked for me, and the balance was pushing 50-60 million. One decent guy from among the employees came to me and wrote an official memorandum: Functionaries such and such summoned me to such and such a place, and asked me to tell them this and that. I took this paper and got in touch with Bakatin's service: "This is the situation. I am publishing an article on how you smother entrepreneur cadres." A very nice colonel came and said that nothing had happened—nobody has called anybody in to anywhere, do not worry, we love you.... They still love us: They keep digging; this is Russia, after all....

2. Is There a Shareholder Who Does Not Know His Balance Sheet?

[Interviewer] What did you mean by saying that you wanted to have a career? What is the meaning of career for you? What are your expectations in life?

[Interviewer] What are your current problems with the bank? Do you intend to convert to joint-stock operations?

[Agapov] A lot has changed since I first gave thought to a career. Most likely, I mean by career an interesting job in combination with a normal salary and social recognition. I never thought about wealth. I just did not know what it was. Later, I saw that career meant normal people talking to you, some currying favor with you, and some, of a high enough caliber, treating you as an equal. Of course, it is pleasant. However, this is not a career, but its reflection. This is what I think now. I know that many of my colleagues are just raking the money in. It is not difficult to get rich. What follows is currency conversion and transfer. Everything is legal, everything is normal; you can easily have all you want—and make tracks.

However, there is a problem. I have visited many countries, and I know there is nothing for me there. I am not needed there. I am nothing there. Here, I have work; here, I have people who are dear to me; they speak my language here; it is a pleasure for me to live here. I do not want to emigrate anywhere. If I do not want to emigrate, then why do I need a house in Vienna? Or in Spain? It is absurd in a way! Such a house needs to be maintained, and this kind of thing is quite expensive there. I believe that if the company that we have created prospers, we will be able to take a vacation wherever and whenever we want. If it does not prosper, then why have the rest?

Our locomotive has started moving, and I cannot stop it any longer. At present, we have approximately 30,000 clients, 28 operating branches, a balance pushing R800 billion. The current section of the balance sheet is such that we have to buy a new computer: there are not enough numerical digits. Of course, I am no longer interested in petty cash. I am interested in large clients, for example, the Customs Committee. We are now taking a number of measures in order to establish complete control over the bank, that is, its statutory capital.

This has to do with the fact that, unfortunately, ours is not a civilized country, and many shareholders sincerely believe that they may interfere with the affairs of the bank, that they know something about the balance sheet. In principle, everything may be hidden on the balance sheet so that no audit will find it. Since tremendous amounts pass through the bank, the smartest shareholders are concerned: And just what is the board doing? Besides, the concept of converting large banks to joint-stock operations is already hanging in the air. A number of large banks have decided to anticipate events and to convert to joint-stock operations. As I see it, they have lost a lot by doing so, because one and the same share cannot be sold and purchased ad infinitum; a moment comes when real operations have to be performed. At this point, some guy comes and purchases the controlling share. Given that brokers on the exchange are easy to buy, arranging the purchase of a controlling share with them is no problem at all! We must buy back our statutory capital in order completely to shield ourselves against this kind of thing.

3. Horse, Also Known as Cow

[Interviewer] Let us try to visualize the banking "map" of the country. At present a dozen names are commonly heard, and it is a big question who is doing what.

[Interviewer] What is the relationship between the Central Bank and the commercial banks? Is Gerashchenko a coachman who drives you (the bank) like a horse so that it will run in the direction needed?

[Agapov] The Central Bank is an organ of government; it is, if you will, a factory for producing money in the interest of the society under the control of the leadership of the country. This is a fundamental issue. The monitoring of commercial banks is one of its other functions. This is why I would rather liken Gerashchenko to a nice milkmaid who, when attaching the milking machine to the udder, says: Give it to me, commercial bank!

A bank is not commercial because it is "commercial," but rather because it serves clients, unlike the Central Bank. This is it. In turn, commercial banks are specialized; they are divided into land banks, municipal banks, and so on.

OCCASIONAL REMARK: This is the same as previously, when the minister had enterprise directors reporting to him. The Central Bank may grant a license or withhold it, close the bank or refrain from closing.

[Agapov] To understand all of these inner workings, let us recall that the USSR State Bank was an emission center and a commercial bank simultaneously. Indeed, it could do everything! It gave advice to itself, and controlled itself. During the first stage of the restructuring of the banking system of our country, there was Matyukhin and the creation of the famous RKTs [Cash Clearing Centers]. A segment of the settlement system was taken away from the USSR State Bank. At the time, we did not understand it, but later I understood that this was done in order to lay a hand on spare money in the bustle—withdraw the resources, in our parlance. Hence the false advice notes, because the two systems—the USSR State Bank and the Central Bank of Russia—were never balanced; they existed by themselves. The flows of funds between them were precisely the "out-of-air" money, which we will no longer see or catch (the figure of R3 billion was given; I think that it was considerably more).

With pain and blood, the USSR State Bank yielded its functions one by one to other structures: the government and commercial banks. However, the point is that the USSR State Bank could generate profits by serving clients. Now, having ceased to be a commercial bank, it sort of "forgot" about getting profits. So fine, it forgot. However, according to the law on the Central Bank, it now generates profits from everything, primarily in the form of emission profits.

Last summer, the Supreme Soviet tried to cut out the remaining functions of the Central Bank in the area of client services, and make it into a real Central Bank and

forbid it to generate profits. It could receive proceeds, but would have to live within the cost estimate. Gerashchenko fought this to the death—and won!

This is how we live now—within a two-tier banking system. Understandably, two tiers are easier than three or four. However, in real life it is not so, because there is no such thing as commercial banks forming a homogeneous structure. All of them are different banks: some "for a respectable clientele," others, former state banks to which the entire chain, all vaults, and all personnel were transferred. Some of them are loaded with debt. However, given that these are different banks, the conditions for their existence and the extent of their jurisdiction and rights should differ.

As I see it, at present we have three groups of commercial banks. The first group consists of banks authorized with regard to major programs, previously called national-economy programs. They have high volumes of assets, chains, personnel, operational experience, and reputations on the market. There are only about 10 of them.

Next there are specialized banks. Some work with private clients, others do investments, yet others—mortgages, and so on.

Here is a question: Is an investment bank a commercial bank, or a nonbank? This is tremendously interesting! If we treat investment banks the same way we do regular banks, we will never have investment; we do not have resources for this. This is to say, investment banks should be granted some kind of preferential terms for attracting and investing resources, and for taxation. The same is the case with municipal banks.

The idea is simple: If all commercial banks are segregated into groups, they should be managed in different ways, too. For now, it is more convenient for the state to pile them all together; naturally, within the pile, those that are strong will always be strong.

It is another matter that each bank certainly chooses for itself what it engages in. It cannot be regimented this way: As a universal bank, you must pay these taxes, have this kind of real estate, these reserve funds, and so on. Do work. If you can, do work. If you cannot, switch to another category. This is what the rules of the game should be.

4. One Cannot Drive a Tank Over It

[Interviewer] Why do bankers not seek progressive financial legislation? Why is it convenient to treat all banks uniformly?

[Interviewer] The law has the wording "other credit organizations." What are these—nonbanks? Is it more advantageous to be a bank or a nonbank?

[Interviewer] Why do commercial banks also interfere with the affairs of clients? What is in it for you?

[Agapov] "Other credit organizations" is an absurdity. A huge legislative loophole has emerged, whereby money can easily be scooped up on an enormous scale, and one can feel fine in the process. For example, we have a problem with payments to Ukraine and Kazakhstan. A certain company comes along and says: Funds will be transferred within one day! The company is not a bank, but it is a banking operation! The company should have a license with all the requisite guarantees of the rights of clients, with the minimum statutory capital, with taxation, and so on. However, there is a gap in the law: There are banks, but there are no nonbanks, and nothing can be done about it. For example, the edict on trusts came out on 24 December, but the Central Bank cannot hold anyone accountable for performing these operations without a license, since they are nonbanks. Naturally, this is advantageous for the nonbanks. They rake in money on an almost legitimate basis, and then they can legalize their bank.

We prepared a text for insertion in the legislation. However, many people in the Supreme Soviet, including our banking geniuses Pochinok and Zadonskiy, simply failed to understand what this was about. They are on high, they cannot see, whereas we live down here, on the ground. We understand how money is raked in out of nowhere.

Now about the reason why everything happens this way. Because of stupidity. This is a serious answer, if you could imagine this. Bankers do not lobby enough; legislators do not want this; Viktor Vladimirovich Gerashchenko and a great many executives do not want that....

I am not expecting anything new to happen now. Actually, what has changed? Nothing! The banking system is such that one cannot drive a tank over it. This is why a situation emerges by and large whereby banking practitioners are compelled to make certain decisions. For example, one goes to the parliament, knocks on one door, and then another, and yet another—nothing happens. Fine, he walks away. He tries for a second and a third time. Then he gives it up and proceeds to buy deputies. So it begins: suitcases full of dollars, trips abroad.... All of it is understandable. However, a deputy who has been bought is no longer capable of thinking. He merely hangs on his benefactor's every word.

I believe that this is a wrong move. I am convinced that a real politician cannot be bought. A real politician is not for sale, and it is a pity to spend money for one who is not real.

Why cannot the bankers unite and lobby on the issues needed? Because most of them are afflicted with anachronisms and live on the principle: You send down to us instructions from the Central Bank, and we will comply with them! Question: Why should a client have just one settlement account? He might have as many of them as he wants, and it is up to him to report this to the tax inspectorate. Our banks are still forced to be control agents. This is why we go into your accounts. Since there

is a bank, let it be accountable for wages, for the consumption fund, for foreign-exchange operations. How can a bank do this, given that there is a legal entity—its client, and that this client is liable, with his wallet and his freedom, to the procurator and the tax inspectorate on account of his actions? What has the bank got to do with it? No, they do not hear this! The Edict on Foreign Economic Operations says directly: All banks holding foreign-exchange licenses **must perform the functions of foreign-exchange control**. This is insane. A client did not make the full payment to the state out of foreign-exchange proceeds, and I will be liable! Whatever for will I be liable?

5. About Common People, "Short Money," and the Long Arm

[Interviewer] For now, it makes no difference for citizens whether it is you or the Savings Bank. Nonetheless, the citizens are enticed by promises, by these 30-percent profits on a monthly basis, and get in waiting lines in front of banks. What do you do in order to attract them? Do you need them at all?

[Agapov] The question is: Have banks become a social institution or not? Do they work in the interest of individual citizens? No. Why? Because banks are established, finance companies are established, exchanges are established, but nobody teaches the citizens anything. The citizens are, in a way, by themselves, and this entire system is by itself. This is why, as I see it, in the course of accomplishing major economic tasks, it would be more honest to say, looking the people in the eye: Esteemed citizens! The economy will not be restructured in two or three years. It cannot be. The citizens must be trained and prepared.

In our country, they try to teach people by hitting them painfully over the head. The people will not understand if they are hit over the head, and if they have antediluvian educations. They understand nothing, and they believe in some abstract state, government, and leadership. It does not make a difference who is in the leadership, as long as there is an authority. The issue of the mentality of clientele is a very broad issue. For now, citizens are not ready for a relationship with a bank, and we are not ready to work with citizens. The Savings Bank is the only bank capable of this. It has a chain and it has personnel. We cannot do it because we pay taxes on proceeds, taxes on profits, taxes on fixed assets. The taxes are very high. It is not advantageous for us to commission new premises which will not yield quick profits.

Getting rich quickly at any price does not mean services to the population. This is bluffing, just as the infamous 30 percent, or whatever, per month. This is pure deceit without guarantees because there is reality, and this reality is that the margin (profit of the bank—editorial note by OSHCHAYA GAZETA) on credit resources should come to no less than 30 points. At present, short-term resources cost about 200 percent on the

market. Calculate this: I must place 200-percent resources at 230 percent. This is virtually the limit. In all of that, with a 30-point margin I barely make ends meet, cover my outlays, and get meager profits.

How are big profits to be made? There is a source, so-called "short money"—this is the placement of money for one to seven days. The game is that all banks participating in the process conduct operations through one correspondent account at one RKTs. An agreement is signed to the effect that the RKTs will itself debit funds from the correspondent account when the deadline comes, automatically. Therefore, payments are guaranteed. "Short-money" operations are very profitable. However, the main question is: **Who gets the profit?** Naturally, the few large donor banks, of which our bank is one. Everyone else is a consumer. Those who receive credit and work on it in transit do not "play" on the market. They do have a certain margin, they do get by somehow, but they cannot pay out 30 percent a month.

You see, the 30 percent is an illusion. The people raised large amounts by several operations, and it seemed to them that this was it! The same applies to currency operations. In all honesty, I laugh when some banks guarantee 25-30 percent in foreign exchange!

In general, mutual relations between banks and the population are a very interesting issue. As it were, clients sincerely believe that they have no need for a bank, and that the banker is definitely a crook if he gets himself a Mercedes. This is how they have been conditioned. Since the banker is a thief, they should not come to him at all, or should come to him with a red sign, or better yet go straight to the procurator, or else organize a demonstration. I do not want to have a demonstration next to my bank and, naturally, I will never strive to engage in extensive operations with private individuals. What do I need this headache for?

The second aspect: Actually, what can the population accomplish for the bank? Cash rubles? I do not need them! I would have to build new vaults, set up a counting shop, buy armored cars, and so on, and so forth.

OCCASIONAL REMARK: It is impossible to get rid of hatred for the man in the latest model Mercedes or Volvo if one does not treat him as a client and therefore does not invest money in the banking infrastructure. There are a few establishments, for the most part quite suspect, where a great many people stream with their money. Old women are as numerous there as young people wearing leather jackets.

[Agapov] In a serious vein, a shift in consciousness is of course taking place, but for now it is venturesome, in a way. No sooner is a child born in the West than they already begin to teach him: Here is your insurance; take this toy money and play with it, and the child grows into the market-economy life naturally. In turn, our people play when they are already grown up. They play stocks, play something else, invest money without audit reports,

without verification, without anything! The most terrifying things will begin when these organizations go under en masse, and when citizens understand that they have been truly swindled in a big way. This will be a collapse of confidence in the entire banking system, a catastrophe. However, there is only one way I can warn about it—speak publicly and tell the already mentioned old woman: My dear, there is nothing I can do for you! This is the most I can do, because an armored Mercedes can be blown away with a regular grenade launcher. It does not cost too much....

6. What Should Be Done in Order Not To Swing From a Lamppost?

[Interviewer] You understand the danger of your existence from the class standpoint. What prevents you from uniting and working out an action program so that you will not be smashed to smithereens?

[Interviewer] Some banks, having appreciated the potential of the press and television, are buying them, as the saying goes, lock, stock, and barrel, in an attempt to establish an information monopoly. Do you intend to follow their example?

[Agapov] I am perfectly aware that all of us may be swinging from the lampposts next to the government, next to entrepreneurs, shopkeepers, and all other "enemies of the people." Unfortunately, the mass media fuel this opinion of us as enemies of the people, and to my mind, deliberately, to a considerable degree. They do not understand that they themselves will swing from the adjacent lampposts.

Indeed, why does a common cause fail to unite the entrepreneurs? First, because all of them feed at different troughs. Some feed at the trough of the head of oblast administration, others—at the trough of the mayor, still others—at the trough of the government, and so on, and so forth. Such is reality. Second, all of those feeding are very different people. The notion of caste is stronger in the banking community than anywhere else. For example, a person comes to the financial market. He has already put together a bank, made big money, and made arrangements with whomever it takes. He is rich. But he is a nobody! Nobody wants to talk to him. He is ready to pay any money to be admitted to the professional bunch, to just sit at the same table and have a talk. They do not take him in.

There is a precisely delineated circle—a circle of banking veterans. This is the Central Bank, the entire organization of the Bank for Foreign Economic Relations, the former specialized banks. These people have known each other for many years; they take care of their own. From among new people, they only admit those who are from their alma mater, who studied under the same instructors.

I spent about two years in order simply to gather together more than 20 bankers from all three spheres: the specialized banks, the Central Bank, and the new commercial

banks. Two years, although ours is not the worst reputation around and, generally, we are well known. Why did they come, all of these banking tycoons? Perhaps they understood after all the need to unite. The main issue is how to unite. How is one to unite with someone who has sold his bank to Americans, or to other foreign "teachers?" How to be friends when the direction of interests differs? I for one understand full well that, whether I like it or not, one person will be shooting at another whatever the array. Unfortunately, such is life....

As far as the monopoly on the press and television is concerned, I have my own view on it, just as on Likhachev's murder. I am convinced that Likhachev's murder was political, 10 days before the election, in order to disturb the people. For some reason, they cannot find anyone! Just like the guy who ran over an OMON [Special Missions Militia Detachment] serviceman on 1 May: Everyone saw him, but he cannot be found!

I think that a real rich man will never advertise: a) that he is rich; b) that there are very important people standing behind him! A rich man will do everything quietly....unless somebody pushes him from behind. What do I need newspapers for? What are radio and television for? These are insane expenditures! About \$20 million-\$30 million is necessary to get a TV channel going. So what is all of that for? I think that preparations are under way for forthcoming political changes which, naturally, will be accomplished by those who are not in the limelight. The unexpected resignation of our main reformer, Yegor Timurovich, seemed very strange to me. It would appear that a fight was on, rivers of blood were being spilled—fight to the death, you are the reformer, you promised the people! No, he quit! Later, Fedorov made the patently unrealistic demand concerning Gerashchenko—and also quit grandly. All of this makes me feel that some kind of a lunge at the government and the president is being prepared.

OCCASIONAL REMARK: The views of most varied analysts are similar in that a political collapse may indeed occur in late spring or early summer. Given this prospect, the departure of Gaydar and Fedorov means that from a politico-economic point of view, they have acted as military engineers: They installed a delayed-action mine that must go off, and it is not known when. Understandably, bankers feel this.

[Agapov] It will be very complicated for us to counteract this situation. To help the broad masses understand why Gaydar and Fedorov have quit is the only thing that may be realistically accomplished at present. The real clash will thus be delayed for a certain period of time, and the financial muscle will grow, because we understand full well: No matter who is in power, he will not kill the goose that lays the golden eggs. She will be turned into a cow and milked. However, I believe that we will not be milked worse than by Gaydar and Fedorov.

7. Is Gerashchenko as Bad as He Is Made Out To Be?

[Interviewer] For many people associated with the financial and economic sphere, Gerashchenko has become a symbol, a personification of state-perpetrated fraud. It was not money but rather the shadow of money that was traded. This shadow is growing longer with every passing year. In essence, you are helping him do it. Are you going to get along with him like this? Or is it that he does not get in your way?

[Agapov] Yes, Gerashchenko indeed puts money into circulation. However, who laid the foundation for this emission? Who was it? Could it be that Gaydar's edict on decontrolling prices played no role? Or that credit that Fedorov extended to industry was likewise not significant?

This is how I would put it: Deception occurs both in the Central Bank and around the Central Bank; however, the degree of this deception is definitely insignificant compared to what is happening in the government. The Central Bank is actually a transit element; it transmits the ideas that were introduced into it. This is the first point. Second, Mr. Gerashchenko has the traits that I like the most in bankers—he is an intelligent and well-balanced person.

Why do they dislike Gerashchenko so much? Because he is upper class. He came from a job abroad. He is squeaky clean, and all of the regional managers of the Central Bank are like blue-collar workers compared to him. Gerashchenko has lacked a real cadre base from the very beginning. Meanwhile, the banking system is oh, so complicated! Any idea may be nixed within half a second. Why did Gerashchenko go for it? After all, he understood full well that he would be removed, driven to imprisonment, or smeared with dirt. **However, he wanted to try delaying the catastrophic decline of our economy** toward which the people who have read a lot of books and know clever words but do not know beans about banking are irrepressibly proceeding.

Of course, they do not like him: He has shown major adherence to solving problems nationally. To give the last shirt off our backs and to throw ourselves on the mercy of gentlemen from abroad, sometimes for \$24 billion, and sometimes for something else, is all that our reformers have proposed. Gerashchenko's position is different: to prevent high-technology enterprises from going under, to continue supporting them and try to restructure them, even if on an inflationary basis. He sustains, say, Krasnoyarsk-2, which manufactures satellites, and so on, and he is accused of being a scoundrel and a villain.

We have our own major complaints to make about Gerashchenko, but he does not interfere with the development of the banking system, does he? If Fedorov were in Gerashchenko's position, he would do in about 80 percent of the banks at present by using the bankruptcy law. This is very simple to do. Gerashchenko understands that this could not be done; a precedent cannot be

created. However, Gerashchenko is alone, he does not have a team, and for this reason he cannot make operational decisions.

Two years ago, I suggested this: Let us not saddle Gerashchenko and Fedorov with everything. Let us create a special **Council of Commercial Banks**, a national banking council. Let it be confirmed by an edict of the president or the parliament, and let it assume some of the responsibility. The council could resolve issues of reserves, standards for bank operations, issues of taxation and resource distribution, and make recommendations on the issuance of licenses—after all, we know everyone within our community.

First Matyukhin and then Gerashchenko categorically came out against this. Two years have passed, and the idea has been approved, after all. It will be released publicly in the immediate future. It is just that there is nowhere to go; there will be an impasse otherwise.

I understand full well that Gerashchenko will apparently quit together with the cabinet. However, his task is to find now some form of a connection between the Central Bank and commercial banks, and such a connection which nobody will ever be able to break. Commercial banks cannot be destroyed in principle, because commercial banks mean clients. Only in the movies does Zheleznyak the sailor come along and close whatever. This does not happen in real life. I have, for example, 30,000 clients; converted to the number of people, this is an entire army, and for all commercial banks, it is the population of the country. This is why playing games with the banks does not work.

OCCASIONAL REMARK: It worked for Pavlov, and for Zheleznyaks it worked, too.

[Agapov] Pavlov was not playing games with the banks. That was a **centralized system**. As far as Zheleznyaks.... History does not repeat itself twice at the same location.

Compensation Payments to Pre-1992 Bank Accounts Criticized

944E0487B Moscow *RABOCHAYA TRIBUNA*
in Russian 16 Feb 94 p 3

[Article by *RABOCHAYA TRIBUNA* economic commentator Arkadiy Solovyev under the rubric "Viewpoint": "Taking a Penny From a Pauper..."]

[Text] *Our newspaper published two immediate comments on Boris Yeltsin's Edict "On Lump-Sum Compensation to Russian Federation Savings Bank Depositors Who Had Money on Deposit as of 1 January 1992." It is now time to take a more detailed look at this document.*

As if to prove the folk saying that "one waits three years for a promise to come true," in precisely the third year of the reformation era the president, prompted by the generosity of the former chief cashier of the country, finally decided to show much favor to his subjects by

giving them an unexpected gift—compensating for people's losses from the devaluation of their deposits in savings institutions. The "generosity" of the gift-givers is shocking even to ordinary folk schooled in the experiences of the period of shock therapy.

It is therefore not accidental that the actual text of the corresponding edict issued by the president was concealed from the mass media for almost a month and a half, while the government press published only tear-jerking panegyrics about the fatherly concern for the huddled masses. An attentive study of this rescript's text brings very sad thoughts to mind.

What does a tripling of deposits kept in savings accounts as of 1 January 1992 mean? It means that given inflation of a factor of at least 260 over the period 1992-1993 (according to data of the Russian Federation State Committee for Statistics), respectable citizens of Russia who had been trying to save their money with the help of the Savings Bank system will get slightly more than 1 (one) kopek on each ruble deposited before 1992.

It should be remembered that even the size of the lump-sum minimum wage raise instituted in order to compensate for Gaydar's jump in prices on 1 January 1992 measured a factor of 3.5. Thus, the tripling of deposits, coming more than two years late, is incommensurate in scale even with the shameless stealing of workers' wages.

Of course, any minimally literate person knows that the money we used to put in the state savings bank system at a miserly interest rate were withdrawn into the state treasury and used to pay off internal debt or at best for investment in the national economy and patching holes in the budget. In other words, our money was used in such a way that it could not earn us any income and it is apparently no longer there anyway. If in those quite recent times (when we still had a state budget and one could at least calculate some things and compare them in a normal way) all depositors simultaneously had withdrawn their money from the savings bank, the state would have immediately become bankrupt. Because the amount of deposits was commensurate with the size of the national income, the payroll fund, and the state budget.

The acknowledgement of savings bank deposits as a state debt, expressed in the decision of supreme organs of legislative authority in Russia, by itself should have meant, in my opinion, a legal and material-financial guarantee of their security and the ability to put it to its direct use (be it as it may on certain terms). Instead of our ruble, however, which we loaned to the state, we are being offered a kopek.

I think it is inarguable that the purchasing capacity of savings should be restored through their indexation. The mechanism is well known: in keeping with the consumer price index. In 1992 prices increased by a factor of 26, in 1992—by a factor of 10. This makes it a total factor of 260 by 1 January of the current year. Which means that

slightly under 100 trillion rubles [R] (R372 billion times 260) should be automatically entered into savings books.

Among the arguable questions that remain are the following major items:

- what to do about indexation of savings for 1991, which lagged by an order of magnitude behind inflation?
- how to restrict (within the boundaries of constitutional rights and laws) the flow of this money into the already impoverished consumer market?
- where to get this money long used up by the previous government?

Answering these and other questions will require more than one newspaper page, and I do not have ready recipes for everything. One thing is obvious: the compensation of deposits by a factor of three, as envisaged by the edict, is a violation of the constitutional right of citizens to property and its security. This compensation cannot be called anything other than a miserly handout.

The government must put together a long-term (let us say, 10-year) program for repayment of the internal state debt to savings bank depositors. This program, in my opinion, must include direct budget financing of compensatory payments (which, by the way, the government has already been tasked with in the president's March edict), the use of state nonbudget funds (pension and medical, employment and social protection), the use of property payments (in the form of an additional share in the privatized property—production, housing, and land), and so on.

In this context we could look at the proposed compensation as the first phase or a component part of the state program for repaying the debt to depositors.

I know that many people are puzzled by a half-year gap in payments to those who are able to work and those who are not. First, most elderly people transferred their accounts to their heirs, who support them, long ago. Second, the current economic reality is such that it is precisely the working people who are experiencing the greatest material difficulties—because of the mindless structural restructuring of production and conversion, mutual nonpayments between enterprises and the disruption of economic ties, the breakdown of the state financial system, and so on. Life is especially hard for those employed in education and health care, science and culture, as well as geologists and the machine-building sector. Millions of them have not been paid even the minimum wage for months. They are the ones who could use most even this pithy compensation. It would be no less important for the residents of northern regions, who this winter found themselves on the threshold of survival.

And one more, perhaps the most delicate, element—the frank absence of the financial resources needed to accomplish the announced operation. The amounts that

are being mentioned clearly are insufficient. Only Central Bank credit could serve as a reliable source. But the R200 billion promised by the bank will only be enough to pay compensation to pensioners and the disabled. There is a real danger that the matter not only will not get to the point of paying able-bodied citizens, but that there will not be enough even to pay the pensioners their “kopek.”

The triple compensation of deposits envisaged by the edict will require R1.1-1.2 trillion in 1994. Neither the Savings Bank nor the draft state budget have this sort of money for this purpose. Are we dealing with another “fairy tale?” Sad...

I will not even mention other, no less sad, considerations that come to mind when one analyzes the edict. All I want is to learn the names of the authors of this masterpiece. Operational “investigation” has revealed that neither the Savings Bank nor the Central Bank nor the social security administration had advance knowledge of the text of the edict. The carefully concealed “creators” hide from people behind the oak doors of a department of the Ministry of Finance. I think it is time to ask them to take a curtain call.

Investment Crisis Main Obstacle in Denationalized Enterprises

944E0489A Moscow KOMMERSANT-DAILY
in Russian 9 Feb 94 p 3

[Article by Yelena Kotelnikova: “Association Accuses the Government in Crisis”]

[Text] The investment crisis is the main obstacle along the path of market adaptation by denationalized enterprises. This can be seen from the results of the Russia-wide conference—“On the Use of Credits and Technical Assistance Afforded by International Financial Organizations in Accordance with the Program of Support for Privatization and Structural Transformations in Russia”—conducted 5 February at the Moscow Association of Privatized and Private Enterprises. Conference participants demanded that the government institute measures which would stimulate investments in denationalized enterprises.

The Association of Privatized and Private Enterprises was established in November 1992. It unites about 3,000 enterprises and has 49 regional divisions. The president of the association is Yegor Gaydar.

Voucher privatization has enabled the denationalization of more than 8,000 medium and large-scale enterprises and has brought about a steady demand for investments. Deputy Prime Minister Anatoliy Chubays, however, who took part in the conference, explains the lack of investments not just by virtue of the economic crisis, but by the absence of a purposeful state investment policy as well. This circumstance has a direct effect on attracting large and long-term investments in privatized enterprises.

According to data from the Russian Property Fund, the total amount obtained from the sale of blocks of shares of denationalized enterprises at investment auctions in 1993 came to 1.2 trillion rubles [R], i.e., 8 percent of the investment volume of the Russian market. In this regard, short-term programs (up to two years) clearly dominated, while long-term programs (up to six years) comprised just 6 percent of all investment projects. Under these conditions, the association proposed that the government implement urgent measures to stimulate investments in denationalized enterprises. The Program of Support for Privatization and Structural Transformations in Russia, developed with the participation of the State Committee for Property Management, is specifically aimed at achieving this. It includes the affording of advantageous (paid for by international financial organizations), competent consulting and auditing assistance to the councils of directors of joint-stock companies in developing their investment projects and choosing investors. In the words of Anatoliy Chubays, however, the program has still not been formally approved by the government, and its confirmation is expected within the next 10 days.

[Begin box]

Results of Investment Auctions in 1993 (According to Data from the Russian Property Fund)

- 3.3 percent of privatized enterprises were presented at investment auctions
- The average size of blocks of shares sold comprised 23.3 percent of charter capital (with a range of 10-50 percent in volume of shares in blocks)
- Total investment volume offered at investment auctions in 1993 amounted to R1.2 trillion, including \$1 billion and DM35.6 million (with an investment volume of R15 trillion in the Russian market in 1993)

[End box]

Statistics Show No Sharp Decline in Production in 1993

944E0513A Moscow *FINANSOVYYE IZVESTIYA*
in Russian No 6, 10-16 Feb 94

[Article by Andrey Illarionov, director of the analysis and planning group of the Russian government's chairman: "There Has Been No Catastrophic Decline But Its Myth Remains"]

[Text] The myth about a catastrophic production decline has become one of the more popular ones of recent times. How does it correspond to reality?

Owing to the fact that officially published data from Russia's State Committee for Statistics do not consider the seasonal impact, they have economic meaning only when compared with the previous year's corresponding period.

Different procedures for determining the physical volume and seasonal leveling are used for the purposes of a practical appraisal of the current situation. A group of specialists from the Russian Federation Government's Economic Situation Center, Russian Academy of Sciences' Institute for Market Problems, Russian Academy of Sciences' Computer Center, and the RSP [Russian Union of Industrialists and Entrepreneurs] Institute of Experts regularly acquaint the public with one of these systems and the results obtained as a result.

The Russian Federation Government's Workers' Center for Economic Reforms has also conducted a seasonal leveling of the physical volume index of industrial production calculated by Russia's State Committee for Statistics. The main components of the calculation procedure are similar in both cases. At the same time, it is necessary to point out differences that exist.

1. The mentioned group of specialists constructed the physical volume index on the basis of 40 (later 42) representative commodities. Russia's State Committee for Statistics used a set consisting of 372 commodities in 120 industrial branches and sub-branches, which embraced 70 percent of the total volume of industrial products.
2. The group of specialists constructed the physical volume index as the average geometric value of 42 rows. In our case, a weighting method in constant prices based on the actual production structure, which has been accepted in international practices, was used.
3. The 42 commodities selected by the group of specialists reflected the structure of industrial production and also the proportions between Groups A and B in accordance with conditions in 1990. In our calculations, the production structure changes annually as a result of the deferent production dynamics in the various branches depending on the actual change in the relationships between them.

The results obtained were subjected to dual verification. First, they were compared with the data obtained from a total accounting of the enterprises. Second, the results of the seasonal leveling were compared with the results of a direct comparison with the corresponding period of the previous year. In both cases, the magnitude of the deviation did not exceed 1.5 percent. This is completely acceptable with the present state of our domestic statistics.

The results of our calculations are reflected in the table. It is not difficult to see that these results differ noticeably from the data obtained by the mentioned group of experts.

In May 1993, the experts pointed out a substantial reduction in the rates of decline (*FINANSOVYYE IZVESTIYA*, No 36) and in June—even a stabilization in the level of production (*FINANSOVYYE*

IZVESTIYA, No 40). According to our data, an evident acceleration in the industrial decline occurred during May-June.

The experts called the production decline in August 1993 an "absolute record for all the time of observations—a decline which had not existed before" (FINANSOVYYE IZVESTIYA, No 49). True, they had already tacitly rejected this thesis a month later, judging from a graph published in FINANSOVYYE IZVESTIYA, No 54. According to our data, the decline in August, although it was extremely deep, unquestionably did not yield to the August 1992 slump in its scale.

In September 1993, the experts again fixed "high menacing rates of decline" (FINANSOVYYE IZVESTIYA, No 53). At that time, there was not only no decline in fact but a so-called compensating industrial upsurge was present.

Finally, the experts noted a "slowing down in the rates of decline" (FINANSOVYYE IZVESTIYA, No 54) in October, at a time when our data simply testified to the stabilization of industrial production.

Moreover, the experts did not once note any industrial production growth during the two years, at a time when they set the rates for its decline from minus 5 percent to minus 44 percent during various months converted to a year's rate (cf. the graph in FINANSOVYYE IZVESTIYA, No 53). These data contradict not only our calculations but also real life.

Generally speaking, the picture of industrial production dynamics during the last three years looks as follows. During the first half of 1991, a gradual reduction in the level of industrial production was noted. The first sharp drop came during August 1991 when the putsch occurred. After a certain rise in September, the disintegration of the old economic and political system, which had begun, caused an accelerating decline during the fall of 1991, which concluded with a sharp decline in January 1992.

It is evident that the price liberalization, which was implemented at the time, was not able in principle to have a decisive impact on the decline in the level of production. Rather long time lags between the change in consumer demand and the reaction of the production supply to it exist. Accumulated factors from the production, political and administrative disintegration during the fall of 1991 played the main role in the decline during January 1992.

The absence of an impact on production dynamics from the freeing of prices is also confirmed by the February-April 1992 data, when industrial production remained at a stable and even higher level during the three months than in January. It was only in May under the influence of a really reduced demand and the heightened crisis of nonpayments that production began to be curtailed, reaching its maximum level of decline in August 1992

(minus 13.6 percent by July 1992). All told, production declined by 25.4 percent during the four months (April to August).

The mutual crediting of nonpayments, which was done in the summer of 1992, along with massive credit pumping caused a compensating increase in production of 11.5 percent in September 1992. Thanks to the vigorous credit support, the production level subsequently remained practically stable for eight months—up to April 1993; however, it was paid for by Russian consumers in the form of 25-30 percent monthly inflation. The decline in January 1993 is not included in the calculation because it was caused not by economic but by purely calendar reasons—the Christmas holidays were celebrated on a large scale for the first time in the country.

The next stage in the cut-back of production was connected with the new stage of the government's crucial financial and monetary policy, which began during the first months of 1993. Production fell by 19.6 percent from April to August, including 9.7 percent in August 1993 when compared to July.

The new period of industrial production stabilization (September-December 1993), which then began with the stricter monetary policy and real lowering of inflation rates (to 13 percent in December), is evidence of exceptionally important changes in the economy. This means that industry had basically already discarded production volumes oriented toward an artificially exaggerated inflationary demand and had really begun to draw nearer to a rational level that did not need to be supported by credit drugs. It was from this or a slightly lower level that the revival stage and then healthy industrial growth could begin this year with the insuring of strict financial limitations.

Thus, the statements, which have recently been heard about the production catastrophe that has begun, are unfounded.

The expected sharp decline in production during January 1994 in no way differs in its nature from the one in January 1993. The only difference is that instead of having two days off as a year ago, the country preferred not to work two weeks this year. It is possible to expect that compensation will occur in February for the January decline.

At the same time, the coming change in the government's economic policy and the next enthusiasm for a credit emission will exert a depressing affect on the level of industrial production. The inflation caused by this will deprive the producers of incentives to even maintain the production process. Then (but not now as some are hurrying to declare), the country could really find itself in a so-called "stagflation trap" where the incentives for production provided by an additional credit emission are more than stifled by the inflation unleashed as a result of it.

Table 1. Index of Industrial Production (1990 = 100%)

Months of the Year	1991	1992	1993
January	94.5	80.3	62.8
February	94.4	83.5	67.8
March	93.5	82.2	67.9
April	93.3	82.4	68.9
May	93.4	79.0	66.1
June	91.6	77.8	64.7
July	93.0	71.1	61.4
August	89.1	61.4	55.4
September	92.1	68.5	59.1
October	90.4	70.0	59.2
November	89.3	68.4	58.0
December	87.0	69.0	58.5

Table 2. Industrial Production as a Percentage of the Preceding Month

Months of the Year	1991	1992	1993
January	-7.4	-7.7	-9.1
February	-0.2	4.0	8.0
March	-0.9	-1.5	0.1
April	-0.2	0.2	1.4
May	0.1	-4.0	-4.0
June	-1.9	-1.5	-2.2
July	1.5	-8.6	-5.1
August	-4.2	-13.6	-9.7
September	3.3	11.5	6.6
October	-1.9	2.1	0.2
November	-1.2	-2.2	-2.0
December	-2.6	0.9	0.9

Analysis of Goskomstat Data on 1993 Living Standards

944E0494A Moscow IZVESTIYA in Russian
17 Feb 94 First Edition p 4

[Article by Irina Sabbateyeva: "Inequality in Russia: The Genie Coefficient Is Rising"]

[Text] The "consumption boom" Andrey Illarionov writes about has affected different groups of Russians in different ways because the rapid stratification of the population according to income levels continued last year. According to the data of the State Committee for Statistics, the income of the wealthiest 10 percent in 1993 was 11 times as high as the income of the bottom 10 percent. In 1992 the correlation was 7.5-8 times, and in 1991 it was 4.5 times.

It might be a good idea to add the specialized term "Genie coefficient" to our common terminology. This coefficient is an index of income concentration, ranging from 0 to 1. It measures the distribution of income from the point of total equality (0) to the point at which everything belongs to a single individual (1). At the end of 1993, for example, the coefficient in Russia was 0.346. For the sake of comparison, it was 0.327 at the end of 1992 and 0.256 at the end of 1991.

According to last year's figures, the per capita income of one out of every three Russians was below the minimum subsistence level, and the monetary income of 13 percent of the population did not exceed the minimum food allowance. The income of 5 percent of the citizens of Russia was below the minimum required for physiological survival. The table illustrates the degree of stratification.

Distribution of Russian Population According to Per Capita Monetary Income in November 1993

Income (in rubles)	Millions of people	Percentages
Total	148.7	100
Under 10,000	0.6	0.4
10,001-20,000	9.0	6.1
20,001-30,000	20.2	13.5
30,001-40,000	24.5	16.5
40,001-50,000	23.6	15.8
50,001-60,000	20.4	13.7
60,001-70,000	16.7	11.2
70,001-80,000	13.3	9.0
80,001-90,000	10.5	7.1
Over 90,000	9.9	6.7

Average per capita monetary income in November 1993 was 37,908 rubles. This was the average for all segments of the population. The average was 42,799 rubles for able-bodied adults, 26,705 rubles for pensioners, and 37,896 rubles for children. The minimum subsistence level is calculated according to the methods of the Russian Federation Ministry of Labor and includes expenditures on food, based on minimum consumption, expenditures on non-food items and services, and taxes and obligatory payments—based on the proportional expenditures of the 10 percent of families with the lowest incomes.

Now our discussions of increasing inequality will require a slight adjustment. Up to this point we have based these judgments on the monetary income of the population, but social divisions based on these income levels are not equivalent to the actual patterns of stratification. Some of the main social means (primarily housing and also, to some extent, transportation and medicine) are being distributed more equally because they are financed with state budget funds. This means that actual inequality is not increasing as quickly as we once believed.

Standard of Living, Average Wages Examined

944E0480A Moscow TRUD in Russian
12 Feb 94 Saturday Edition p 2

[Article by TRUD political commentator Vitaliy Golovachev: "Prices Disobeyed the Prime Minister"]

[Text]

Will the Government Be Able To Pull Through?

In one week the price of regular domestically produced analgesic went up on average across the country by 15 rubles [R]. On 1 February it cost R810 in Yakutsk, R650 in Ukhta, and R336 in St. Petersburg (in many cities—Vorkuta, Cherepovets, Yelets, Naberezhnyye Chelny, and others—this medicine was not available for sale altogether). Nitroglycerin, which a person with a heart condition must always have on him (his life may depend on it) was not available on 1 February in the pharmacies of Belgorod, Tambov, Astrakhan, and Norilsk. In Naberezhnyye Chelny this medicine cost R144, and in Chita—R153.

I am leafing through a thick reference book prepared by the Goskomstat [State Committee on Statistics] of Russia, which lists prices in different cities as of 1 February. A color television set in Yuzhno-Sakhalinsk—R1 million; regular children's cotton socks in Ulyanovsk—R800; shoe repair in Magadan—R7,500. Of course, prices are not like this everywhere; in other cities they are lower, but still the magnitude of the figures is disheartening. The average price of beef is almost R2,500 (R2,414), but in Yakutsk it costs more than R5,000, and in Khabarovsk—about R4,000.

In Krasnoyarsk the price of butter in the stores over one week went up by almost R600, crossing the R5,000 mark. In Kyzyl it costs even more: R5,972 per kg; in Moscow—R7,400 at the farmers market and R2,842 in retail trade outlets (a R180-increase over the week).

All prices are rising, but it is especially noticeable looking at foods that in the past used to be part of Russians' daily nutrition. In Apatity the price of rye-wheat bread went up by more than one-quarter over the week and now costs R525. The average (across the country) price of 10 hen eggs exceeded R1,000 (R1,023.70) in retail trade; at the market they cost R1,290. A liter of milk in Severodvinsk already costs R1,000, in Kemerovo—R790, and in Moscow R2,170 at the market and R458 in retail trade (by now, closer to R500 and up).

These are not at all cheerful statistics. Prices rose in January much faster than the leadership of the government had anticipated. Prime Minister Viktor Chernomyrdin said in December that in the first quarter "the rate of inflation will drop to 15-16 percent." But prices in January "disobeyed" the prime minister and increased by 21 percent. This shows that the economy is still sick; it has a long way to go to get healthy, and a new wave of inflation may hit us in March-April.

It was not too long ago that statements of a number of ministers and the deputy prime minister sounded very optimistic: the worst is behind us, they said; inflation is

receding; the economy is on the upturn. They quoted figures to support these contentions: in October 1993 the inflation rate was 20 percent, in November—16 percent, and in December—13 percent. But at the same time they somehow failed to mention that the country was living sort of on credit, because the state moved many payouts from the fourth quarter of last year to the first quarter of the current one. Which amounted to no more, no less, than R7.8 trillion (for grain delivered to state storage facilities; state orders fulfilled by defense enterprises; payouts in the budget-financed sphere, including back pay; etc.).

That is, the budget deficit was in a way artificially reduced. But one cannot postpone debt repayments forever. They have to be paid, except that now current payments will be added to them. The amounts being mentioned now for the expense part of the budget are in the tens of trillions rubles. This means that with a certain time lag (a month and a half or two) a new avalanche of money will descend on the marketplace, and prices will start rising like yeast. It is possible that inflation in February will slow down somewhat (to 18-19 percent), but in March-April it may rise to 22-25 percent. And then our economy will enter a period of new severe trials.

There Is No 'Uncle' To Keep Us Fed and Clothed

Is it possible to avoid these tribulations by conducting, for instance, an even tougher monetarist policy, by delaying payments until the next quarter, and then again the next one, or, on the contrary, by handing money out right and left? I think that neither option is the best solution; they will only exacerbate the ills of our economy. Until full-scale structural restructuring begins in industry and all sectors of the national economy, we will not see any success.

Yes, most of our goods are not competitive in the world market. This means we have to install new technologies and modernize shops and plants. This requires enormous money and investors. Meanwhile, however, we cannot allow all of light industry to grind to a halt, and "close down" domestic agriculture. There is no "uncle" to keep us fed and clothed.

Meanwhile, production continues to decline. I will quote perhaps the most alarming figures over the two years of reforms. In "shock" January 1992 production declined by 15-16 percent, in the difficult January 1993—by 17-18 percent, and in January of the current year—by 23 percent. The solvency crisis and the disarray in the economy provoke increasingly new rounds of decline, and it looks as if the economy, like an aircraft out of control, is entering a tailspin. Had the appropriations not been used for consumption, had they not been turned into dollars and channeled abroad but used instead for structural restructuring, refurbishing and modernization of industry, one could at least understand 20-percent inflation. But a new round of inflation against the background of a deteriorating economy is too much. Unless the government in the very near future finds effective levers to radically change the situation, it will not survive until the fall.

Such levers do exist. Take for example the defense complex. The directors of many idling plants with first-class equipment are begging (and not for the first year) for just one thing: Tell us precisely how much military hardware will be needed for 1994, 1995, 1996, and subsequent years? There is such a notion—mobilization capacities. This is the foundation of the national defense. A plant director, under the threat of severe punishment, cannot take even a bolt off an assembly line, let alone dismantle the line itself. So shops stand idle for years (or operate at 10 percent of capacity), and no one will take the responsibility to decide their fate.

Another lever is to attract investors. Guarantees for businessmen in the form of Russian real estate abroad (in the event of loss of investment in political cataclysms) would open the road for capital to our market, which has a skilled labor force and ready infrastructure (buildings, communications, etc.). There are other options as well. But so far nothing moves beyond endless discussions. The state even has no interest in its own enterprises as the owner, and is not conducting structural restructuring of those that are very promising.

Meanwhile, credit liability amounted to R48 trillion as of the beginning of the year, of which past due arrears comprise R17 trillion. The most acute solvency crisis is in Vologda, Leningrad, Kemerovo, Omsk, and Kamchatka Oblasts and a number of other regions.

Wages: Millionaires and Paupers

The solvency crisis not only paralyzes the economy—for many Russians it means delays in labor remuneration. Of course, the picture is far from uniform in this respect. It is one thing when a nonstate enterprise (a potential bankrupt) accumulates back pay because all it has is debts—this is, after all, its problem; and it is a completely different thing when workers in the budget-financed sphere are not paid because the state does not keep its word and does not pay its debts.

Unfortunately, no statistics are kept as yet that separate back pay into budget and nonbudget debt. But judging by reports from localities, the budget debt is very substantial. Does the government not understand that by such actions it not only discredits itself but also provokes a rapid rise in social tension in society? By holding back labor remuneration and thus "slowing down" the rate of inflation with this uncivilized, savage method, the government loses much more than it gains.

The total arrears with respect to labor remuneration in industry, construction, and agriculture alone amounted to R766 billion as of 1 January. This means that millions of people are making do without money, borrowing and selling their belongings. The greatest arrears in wages have been registered by statistical organs in Tyumen Oblast (R60 billion), Krasnoyarsk Kray (R39 billion), Tatarstan (R35 billion), and Chelyabinsk Oblast (R32 billion), as well as Kemerovo, Saratov, Irkutsk, Sverdlovsk, Magadan, Volgograd, and other oblasts, and Altay Kray.

Wages delayed by 20 or more days account for almost three-quarters of the total amount. In many regions of Russia wages are not paid for two months. The greatest incidence of such occurrences is in the Central and Far Eastern regions. How can one live without money for two months? Do they understand this at Staraya Square and in the White House? I would propose this experiment: hold back salaries of members of the government for two months; perhaps then the urgency of the problem would be more clear to the powers that be.

There are, however, instances in which wages (or part of them) have been held back for three or even six months. Do we need to spell out who the workers of these enterprises voted for? All in all, 24,000 enterprises owe their workers back pay. Among the debtors are 5,000 enterprises in industry, 4,000 in construction, and 15,000 in agriculture (the state's indebtedness to agriculture is the greatest).

Now let us look at how the average wage has increased over the past year and how it was correlated with the rising prices for goods and services. For the year as a whole prices continued to lead this race; they increased at an anticipatory pace, but not by much. In my calculation, over 12 months the average wage increased 8.8-fold, and prices—9.4-fold. However, taking into account production decline in industry (16 percent) and cutbacks in for-pay services, the rise in wages is nevertheless excessive and does not correspond to the product produced. That is, on the whole Russians produced less and got paid more (even taking into account the inflation factor). Unearned money undoubtedly contributes to price rises. We will see more of it when the state pays off its debts.

Average December Wages in Different Sectors and Regions in the Country (in thousands of rubles)

Overall in the national economy	141.2
All industry	145.7
Gas industry	648.9
including:	
in Tyumen Oblast	975.2
in Krasnoyarsk Kray	584.1
Coal industry	335.8
Oil industry	333
Light industry	86.1
Instrument building	76
Agriculture	88.7
Construction	194.9
Transportation	212
Health care, physical culture, and social security	112.5
Education	98.3
Culture and arts	84.9
Science and science-related services	95.3
Credit and insurance	473
Administrative organs apparatus	163.4

**Per capita monetary income per worker in December
(including dividends paid on securities, and so on)
(in rubles)**

Gas industry	838,545
including:	
in Krasnoyarsk Kray	2,398,934
in Tyumen Oblast	1,209,103
Coal industry	358,541
Oil production	383,601
including:	
in Tyumen Oblast	571,325

Another serious item to contemplate is the growing differentiation in wages. The gap between the average wages of the highest- and lowest-paid 10 percent of workers measured by the end of the year a factor of 27 (!)—no developed country has anything like this. Some were paid more than R1 million a month, while more than 1 million Russians got less than even the minimum wage (R14,620). In this respect the gap is measured by a factor of 100 or more.

With respect to per capita monetary income, one of the poorest is Ivanovo Oblast (R57,000), and one of the richest is Tyumen Oblast (R245,000). At the same time, among gas industry workers in Krasnoyarsk Kray the average per capita income in December amounted to no more no less than R2.4 million. Such an income policy only increases the danger of a social overheating of society.

**Goskomstat Statistics for Economy in January
1994**

944E0501A Moscow *SEGODNYA* in Russian
16 Feb 94 p 3

[INTERFAX-SEGODNYA report: "The Russian Economy in the Beginning of 1994"]

[Text] According to the Russian Federation [RF] Goskomstat [State Committee for Statistics], in January Russian industry produced more than 15 trillion rubles' [R] worth of output in current prices. However, the physical volume of production continued to decline. As compared to the first month of last year, it declined in January by 23.1 percent. The total industrial output also declined considerably as compared to the level of December 1993—by 17.2 percent.

The volume of industrial production in Russia continues to slide unrestrainedly. According to RF Goskomstat data, in January 1994 it declined by 23.1 percent as compared to last year's January. The industrial output was 17.2 percent below that for December 1993.

While production in fuel and power generation sectors and nonferrous metallurgy declined by only 5-9 percent as compared to January 1993, in most processing sectors

the scale of decline has been much greater. In light and food-processing industry production declined by 19-28 percent.

In the sectors producing producer goods, the scale of decline in the volume of production ranges from 23 percent in ferrous metallurgy to 28-35 percent in construction materials, chemical and petrochemical, and timber, woodworking, and pulp and paper industries, and 52 percent in machine building.

Nevertheless, the general trend toward shrinking production has not affected all sectors. For instance, the volume of gas production increased somewhat in January of this year (by 0.1 percent) as compared to January 1993 and amounted to 57.2 billion cubic meters. There was a 1-7 percent increase in the output of foundry machines, buses, refrigerators and freezers, and multipurpose kitchen machines. According to Goskomstat data, there were no flax-harvesting combines, forge-press machines with numeric program control, or magnetic tape produced in the first month of 1994.

Foodstuffs and consumer goods prices, as well as fees for consumer services in Russia, continued to rise in January. As reported by the RF Goskomstat, prices in the consumer market rose overall by 21.4 percent, including those for foodstuffs—by 21.1 percent, nonfood items—by 12.5 percent, and for-fee services—by 73.8 percent.

In organized trade, the greatest price rises have been registered with respect to milk and milk products, bread and bakery items—by 34-35 percent, as well as eggs—by 23 percent. Prices for potatoes and vegetables rose by 22 percent. Prices for meat and meat products, cereals, and pasta items went up by 15 percent. Sugar prices remained practically unchanged.

Among nonfood items in January the most significant price rise was registered with respect to sewn items (14.1 percent) and fuel sold to population (by 23.8 percent). Prices for gasoline rose over the month by more than 30 percent. As of 1 February, one liter cost on average R228 (R179 in the end of December).

According to RF Goskomstat data, the cost of railroad transportation and communications services more than doubled in January. Apartment rents, and the cost of preschool care and health care services, increased by a factor of 1.5.

Prices for consumer services increased at a lesser rate—by 20-30 percent.

The inflation rate over the period of 1-8 February measured at 3.3 percent. According to the data of the Center for Economic Trends under the Government of Russia, food prices rose over the week by 3.8 percent, for-fee services to the population—by 3.1 percent, and prices for nonfood items—by 2.8 percent.

The highest rate of increases in consumer goods prices and fees for services was registered in the Far East—by 4.4 percent, and the lowest in the Urals region—1.7 percent.

With respect to foodstuffs, the greatest increases were registered in prices for milk—by 9 percent, bread and vegetables—by 6 percent, and fish and butter—by 5 percent. Prices for vegetable oil, sugar, fruit, and vodka went up by 1 percent.

The average cost of a monthly consumer basket of 19 most important foodstuffs as of 8 February amounted to R39,100. In Moscow the cost of this consumer basket was R43,800, and in St. Petersburg—R39,900.

With respect to nonfood items, the greatest increases were registered in the price of fuel—17 percent, medicines—by 5 percent, and household and cultural purpose goods—by 4 percent. Prices for footwear and tobacco items changed the least.

Regional Enterprise Heads on Production Problems, Economy

Introduction

944E0505A Moscow *RABOCHAYA TRIBUNA*
in Russian 22 Feb 94 p 2

[Unattributed and untitled introduction to series of articles]

[Text] Our time is truly unpredictable for long-suffering Russia. Each new day reveals new hotbeds of social tension. Miners, oil-field workers and gas-field workers are striking. A pre-strike state has been declared by textile and light industry workers and those of a number of other sectors. VUZ [higher educational institution] teachers and students have been pushed to the limit. What can be said about those who, through the actions of the stepfathers of reform, have long since found themselves to be in dire poverty? And they amount to no less than a third of the population!

So what now—a global wave of protest capable, just like a tsunami, of destroying, once and for all, the foundations of stability and burying forever the hopes for economic and social revitalization?

"No!" declare commodity producers from a number of Russia's central and northwestern oblasts. A strike is not the way out of the situation. It just aggravates the situation.

Having combined their own efforts with the trade unions and drawn up a number of common urgent demands, they are proposing as the last civilized step a constructive dialog with the government and the president on steering the reforms into a creative channel.

And so—the regions have spoken!

The government must respond by acting!

Ivanovo Oblast

944E0505B Moscow *RABOCHAYA TRIBUNA*
in Russian 22 Feb 94 p 2

[Article by Yuriy Tokayev, president of the Ivanovo Oblast Union of Industrialists and Entrepreneurs and chairman of the Board of Directors of AO Kraneks Machine-Building Company: "Reforms for the People and not at Their Expense"]

[Text] Again, I must promulgate the basic points of the economic program being put forward by the Ivanovo Oblast Union of Industrialists and Entrepreneurs. But that is just the way it is: we have still not received a proper reaction on the part of the government. This is why, with a feeling of complete solidarity, I am joining my colleagues from the neighboring oblasts and, once again, by taking action in *RABOCHAYA TRIBUNA*, I want to set forth the vision of the reforms from Russia's textile region. And currently a large machine-building center.

Our main principle in the realization of the economic policy, which must be followed, is extremely brief: reforms for the people and not at their expense. The reforms should improve the lives of all people who are ready to work honestly and not reduce them to total impoverishment. The reforms should be carried out through improvement of the organization of the country's national economy and not through devaluation of the citizens' money and exorbitant taxes on commodity producers.

What is decisively important for the Ivanovo Oblast's economy is the stabilization of the situation in the textile industry. In order to have this, first of all, it is necessary to solve the matters of supplying raw material at acceptable prices and selling the output at prices which would cover the average industry costs.

It would seem that everything is simple. But, in practice, we are running up against insurmountable barriers. The actions of government economists, which are aimed at pushing Uzbekistan and other cotton-growing republics out of the ruble domain, have sharply aggravated the situation in the textile industry. Extremely necessary are urgent intergovernmental agreements on the organization of a payment union between the republics and, what is most important, permanent monitoring of their implementation.

The following may be said with respect to the economic situation in the country: a policy, under which the production of the majority of goods becomes unprofitable and it is more worthwhile for the enterprises to stand idle than to operate, runs counter to the country's national interests.

The stabilization of the state's finances, about which they have been talking for more than a year now, is really the most important task. But, with unconditional priority given to the stabilization of production and the creation of new jobs. It is necessary to fight against inflation. But, given the current landslide decline in

production, it is impossible to restrain inflation in principle, since the decline in production is not of a structural nature, but rather, of a general nature. It is necessary to extend the state's economic policy directly to the commodity producer. And, in order to do this, the federal organs of power must, without delay, implement a number of urgent measures.

The first item is taxes. Currently, with respect to the commodity producers, they exceed all reasonable limits. Such taxes are becoming nothing more than an economic noose. Over the millennia of the development of market relations, experience has proven that, in order for a commodity producer to produce goods and to support himself and the state, he should direct one-third of his income toward the development of production, keep one-third to himself for subsistence and give the remaining third to the state so that it could protect him from foreign and domestic foes, educate the children, develop the infrastructure, and so on. You will not think of anything new here and there is no need to do so. Deviations from this scheme do not produce any kinds of additional funds for the treasury, but only lead to the degradation of production, which is what we have at the present time.

This is why it is necessary to limit legislatively the maximum rate for all types of taxes and other obligatory payments from commodity producers to an overall level no higher than 35 percent. Likewise, it is necessary to exempt legislatively, without any stipulations, from taxation the profit directed by the commodity producers toward the replenishment of their working capital.

The second requirement involves the banks. It is currently absolutely clear to everyone that the confusion in the banking system is being deliberately maintained, since, with a discount rate of 210 percent or higher, it is an inexhaustible source of easy profit for sticky-fingered workers and, first and foremost, for those in the banking system itself. It is known that the larger the transmitted payment amount, the longer it goes through the banks, since it is a more dainty morsel for them. At the same time, it makes no difference how it is transmitted—by telegraph or by mail.

Until such time that sanctions, which exceed by a minimum factor of 2 the possible dividends for delaying payments, are applied to all the banks, including the Central Bank, there will be no order there.

The third direction is investments. The state's current investment policy cannot be called anything other than suicidal. The fixed capital in industry is 70-80 percent worn out, while investments are practically nil.

Everyone remembers quite well that, in the not-too-distant past, the entire investment process in the country was provided through two sources: centralized and non-centralized, i.e., the enterprises' own resources. Today, for all practical purposes, the state has abandoned centralized capital investments, while the majority of enterprises does not have enough internal

resources even to maintain current production and to pay wages. The investment total amounts to a big fat zero. Also, no one even dares think about credit, given the current bank interest rates. So it turns out that, given the current investment policy, industry is doomed to extinction. There is one way out—exempt from taxation all the profit directed toward investments in production and also provide legislatively a special bank investment rate for credit for housing construction.

The prices for energy resources are another point. No one is about to refute the obvious truth that everything should cost what it costs. This is an axiom, without consideration of which a normal market and an effective economy cannot exist. But here we need to determine firmly just whose economy we are getting ready to help out of a crisis—our own or the West's. If it is the West's, then we are on the right path. And, in this instance, it is really necessary to raise the prices for raw materials to the world level as quickly as possible. Domestic consumers will not be able to pay for them and all the raw materials will happily stream into the West at bargain prices. At the same time, our own industry will shut down—here is your sales market for old imported stock!

However, if we firmly intend to help the Russian economy out of the crisis, then the main task of industrial policy today should be the creation of conditions for the stable production of domestic goods and the introduction of such legislative statutes as would motivate a commodity producer.

The stability of prices for primary energy resources plays a key role in the attainment of these goals. No one in the world has ever managed to stabilize an economy when the prices for energy resources keep jumping higher. Our position in this matter is unambiguous: the state should take it upon itself to regulate the prices for energy resources temporarily.

Specific demands on the government arose among the commodity producers in the implementation of economic ties with the republics which were part of the former [Soviet] Union and are currently sovereign states, as well as in the conducting of foreign trade policy. The thoughtlessly destroyed ties in the relations with the current CIS countries should be restored, while the artificially created barriers should be removed. Otherwise, for a long time to come, we will each separately be attempting unsuccessfully to create closed economic cycles. And this at a time when the capitalistic West is proceeding along the path of combining efforts. Is this not a paradox on our part?

There are the matters involving exporting and importing. For the time being, there is also a lot of confusion here, which is playing into the hands of the fanciers of easy profit. Meanwhile, the scheme is well-known: the export duties on raw material goods should bring the domestic prices for the exported raw materials into line with world prices, ensuring a reasonable standard of profit for the exporter and enriching the state

budget. However, the import duties in turn are called upon to ensure the reasonable primacy of domestic commodity producers on the one hand and, on the other, to destroy monopolism and to create a competitive environment inside the country, while not serving as exclusively fiscal goals. Also unconditional should be a decision to exempt from customs duties imported manufacturing equipment and components for the production of competitive products.

Vologda Oblast

944E0505C Moscow *RABOCHAYA TRIBUNA*
in Russian 22 Feb 94 p 2

[Article by Vladimir Morozov, president of the Vologda Oblast Association of Industrial Enterprises and general manager of PO Vologda Experimental Machinery Plant: "Where the Government Is Leading Us Is a Big Secret"]

[Text] Our enterprise is one of those established to solve the problems of the military-industrial complex. The percentage of specialized state orders amounted in the association to 90 percent. Compare this with its present volume—15 percent—and it becomes clear what kind of abrupt transformation leap the collective has had to perform over the 3-year conversion period.

They did not act blindly, but according to a well-conceived plan. They chose for themselves several strategic directions, considering them priority ones for this period, and concentrated the collective's labor and creative potential on them.

And just what was the result? In order to respond to this question, let us analyze the situation which developed in production in chronological order.

We began with the production of drives for machine-building plants. It seemed worthwhile. The machine-tool builders of Ivanovo, Ryazan, Gorkiy, Izhevsk, Votkinsk and a number of other cities evaluated the worth of our products: the quality was not below that of the best world models, while the prices were much lower. We even went so far as to set up an SP [joint venture] with one of the West German firms.

However, the new manufacturing line soon turned out to be paralyzed: the customers did not have the money to pay for the orders. The promising production was stopped.

A similar fate also befell the second conversion direction—the output of products for the agroindustrial complex and the emerging private farming. At first, our mini-bakeries, bakers' cabinets, equipment for making soft ice cream, mini-mills, mini-curiers and many other things, which we had managed to master in short, record time frames, were a big success. But, as the saying goes, the music soon stopped. Because of the insolvency of the agrarians and also the disheartened farmers, it became necessary to curtail this production as well.

Our hopes rested on goods closely resembling basic types of products, but used for civilian purposes. There were binoculars and telescopes with day and night vision, sights for hunting rifles and the like. We also started producing mini-ATXs [automatic telephone exchange] for office equipment. Special plans were drawn up for the production of mini-GEs [hydroelectric power stations] with up to 10 kilowatts of capacity. Next would be mini-GEs with up to 50 kilowatts of capacity. It need hardly be said how important this equipment is for making up the energy shortage, especially on remote and nearly inaccessible farms. Such an installation can even fully supply a small village or farmstead. And on an ecologically clean basis. A small river or brook is sufficient in order to obtain the needed power. These products are especially promising for Central Asia, where there are a lot of streams with a large level difference. And orders for them began to come in. But alas, even this direction was not fated to survive on the crest of the reformers' experiments. The complicated political and, later, financial relations with the Union's former republics reduced to zilch the collective's highly promising plan.

No, no one will dare reproach us for inactivity or shirking when faced with difficulties. Even after so many reverses, we did not lose heart and continued to look for opportunities to rescue the enterprise's economic structure. Literally over 9 months, we organized the production of complicated domestic equipment—microwave ovens, vegetable dehydrators and the like. And we did this again on a world-class level—since both the technical base and the skill of the specialists made it possible to achieve this.

However, the fanciers of "spillage and shrinkage" need not be alarmed: the new method was not fated to succeed. In any event, even this development of ours did not receive financial support. And thus, it was not developed further.

The circle, thus, is closed. It is becoming obvious that even ideas supported by serious marketing and solid technical studies, essentially sensible and very profitable for the national economy are not fated to be realized under current conditions. Is it worth talking here about the shortcomings of one enterprise or another, if enterprising initiative itself is doomed to failure?

Unclaimed products worth 1.5 billion rubles are currently sitting in our enterprise's warehouses. All of them are intended for the civilian market. There is a demand for all of them. The consumer lacks only one thing—the means to pay for these articles.

Naturally, this is driving the producers to their knees. The average wage at our enterprise, despite the high technical and professional level, is lower than that for Vologda Oblast. As a result, an outflow of personnel has begun to show up. And those who leave, as a rule, are not the worst. Of course, we are trying by every means possible to check this alarming process. We are introducing, for example, a contract wage rate system.

including even among the rank-and-file workers. We are setting up personal merit salaries, especially for those who work on a time-rate basis. But can the manager and the chief accountant afford to pay a lot, if the enterprise does not have a plus balance? Yet, any owner of a commercial shop can simply "draw" a salary to protect his own "point," at a level exceeding that of a plant by a factor of 3-4. Not everyone can resist this temptation, especially if there is a family or children to support.

What particularly alarms us are the unneeded areas which we are now trying to rent out. But there is hardly much saved if, during the so-called "special period," we are obliged to maintain a specified potential. No one disputes the fact that the defense industry is the defense industry. And it should hold something in reserve. But why should these funds be added to the production cost of the products, including civilian ones? They need simply to be set aside.

What way out do we, the workers of the converted enterprises, see?

I will state it directly: no one is thinking about retreating. It is clear that it is necessary to go forward. And also along the path of the further development of strategic directions, only now for peaceful products. Well, let us assume that, jointly with the Podolsk plant, we set up production of the Dialog Sewing Machine. This edge-overstitch machine is in great demand. We are thinking about setting up another whole series of production lines. It is quite possible that even the enterprise itself will undergo changes in its organizational structure. This will no longer be an association [obyedineniye], but rather, for example, a holding company or a holding concern. To put it briefly, we will try out and incorporate everything which is more viable and which will produce a maximum output. One thing is alarming in this connection: we do not know the government's policy—both in matters of conversion and in the development of Russia's economy as a whole. Up till now, priorities have not been set either for military doctrine or for civilian directions.

Meanwhile, we, the commodity producers, are supposed to know firmly, which course of economic activities is being supported by the state, in which one it is possible to obtain help and assistance and in which one only one's own forces can be counted on. And if a labor collective selected for itself a priority path for the development of the economic structure, it should be confident that the state would not leave it to deal with problems on its own.

Finally, it is necessary to explain clearly to people at the highest level: what are the reforms we are carrying out—problems which need to be solved or goals, toward which we need to strive? For the time being, however, we are hearing only one thing from the leaders of the government: they do not intend to retreat from the reforms. But, after all, this says nothing at all!

If we want to obtain from conversion not just broken-down military-industrial complex enterprises, which is what is happening now, but rather, technically advanced

plants geared toward the production of products which are the most advanced and necessary for the national economy, then it is necessary to steer this conversion into the appropriate channel and not let it drift in accordance with the principle: sink or swim.

Yaroslavl Oblast

944E0505D Moscow *RABOCHAYA TRIBUNA*
in Russian 22 Feb 94 p 2

[Article by Yuriy Borodin, chairman of the Yaroslavl Oblast's Economic Council and general manager of AO Machine Instruments: "To Swindle or To Stop Working?"]

[Text] I would not want our newspaper action through *RABOCHAYA TRIBUNA* to look like a political act. Everything is full of politics as it is. At the same time, there has been almost no illumination of the country's economic state. People know very little about what is going on at a neighboring enterprise, not to mention in another city or oblast. But everyone perceives perfectly well the negative consequences of the reforms if they affect him personally. That is, the majority of us does not know the overall situation in the country and the tendencies of its further development. We are suffering in isolation.

It is high time to think together, how to live on. But, first, a small analysis of what has occurred with the reformation of the economy over the last 3 years. And not with the reforms in general, but rather, with their main component, which has been called upon to ensure the life of commodity production.

Being noticeably carried out are just two standard procedures for introducing a market economy—privatization and financial and tax transactions. But how are they proceeding? If you take the privatization process, only one of its stages is being implemented at an intensified pace—the political stage. A change in the property owner is occurring. The second stage, however, the stage of economic privatization, has not yet begun and, in my opinion, is not being planned. The discussions about the fact that the secondary issuing of shares, the funds from which will be directed toward the development of production and will help the market transformations, are groundless.

The main question is—who will buy the enterprises' shares? Who will acquire them? And it is answered with the help of a concentrated advertising campaign based on one scenario—to take available money from people and put it not into commodity production, but rather, into the so-called "buy-sell" transactions. That is, at the present time, the purchasing of the enterprises' shares for the purpose of stabilizing production has, for all practical purposes, been excluded. And if someone talks about this, then this is the same kind of deception as the one that, for a voucher invested in an investment fund, it is possible to receive some inconceivable interest rates. A source for the development of commodity production through a change in the owner is thus excluded. Privatization is not fulfilling its basic function.

The credit, financial and tax policies being pursued by the government exclude both the second and third basic sources of financing and development of the economy—credits and profits. The so-called financial stabilization begun in June of last year has led to the most negative consequences for the commodity producers. First, the enterprises' working capital was not indexed and all the promises in this regard on the part of several government components just remained empty phrases. And, for the plants and factories, the working capital is the same thing as wages for people. And, since the prices for raw materials and energy resources rose by a factor of 1,000 and more, while the working capital remained frozen at the level of January, 1992, it is clear that a production crisis was inevitable. This is precisely the main reason for the non-payments in all spheres of commodity production.

There is no sense at all in talking about profit as a source of life support for the commodity producers. The state has set up such taxes that, for all practical purposes, the enterprises' entire revenues are being taken away. Yet, indeed, it is well known that, in any confiscatorial system, there is an optimum limit which, when crossed, does not lead to an increase in payments into the treasury, but, rather, confronts the entrepreneurs with two questions: to swindle or to cease activities. Which is what is happening in our country: small structures are concealing profits from taxes and the large ones, for whom this is more complicated, are shutting down.

Yes, there are commercial organizations which are making money even under these conditions. But this capital has also been cut away from commodity production. It is not profitable under present conditions for a single commercial bank to invest funds in production, since they will not produce quick and significant revenues. Hence follows the conclusion that a split has occurred between financial and industrial capital, which is increasing with every passing day. Money has become expensive and inaccessible for commodity producers and there is constant competition for it, but the outcome has been automatically predetermined to the disadvantage of the commodity producers.

The conclusion is unambiguous: the transformations carried out in the country have led to the opposite result, a landslide drop in commodity production, and have threatened the very existence of the nation and the state.

An especially difficult situation has taken shape in the production lines which determine the technical level of the produced goods. In electronics, instrument making and the machine-tool industry, the slump is around 50 percent, it is more than 45 percent in the chemical industry, it is also 50 percent in light industry and more than 40 percent in the production of meat and milk protein. It is necessary to add to this the fact that, everywhere, the number of employed people is declining, giving rise to more and more new waves of unemployment. It is not necessary to be a big economist in order to arrive at the conclusion: what is

occurring are the de-industrialization of the national economic structure and its conversion into a raw materials base for other countries.

Yaroslavl Oblast has always been notable for the stability of its situation and the carefully weighed nature of its decisions, but even it has not become an exception. The rate of the slump in production for some sectors in our oblast is even higher than that of our neighbors. The instances of enterprises being shut down have become more frequent. Not working a full week has become a common occurrence.

As per a report of 1 February, 65 percent of the oblast's enterprises were either shut down or working according to a shortened schedule. Hidden unemployment exceeded 16.5 percent of the labor force.

Light industry is almost at a standstill. The conversion enterprises are in a most difficult situation. Destruction of the agrarian sector is occurring. The financial situation of the majority of plants and factories is critical.

What kinds of measures need to be adopted?

I will tell you right out: we have divided them into three levels. The first is one which depends on the enterprises and labor collectives themselves. What has been concealed is the fact that not everyone clearly understands the special features of working under market conditions, including people in our management team.

The second level of requirements is the level of the region. If a large portion of the taxes remains at the disposal of the local organs of power, then, naturally, it is also necessary to decide the matters of their efficient use here, locally, taking into consideration the interests of all sections of the people. The logic is simple: if the enterprises do not survive, then there will be nothing to support the budget-controlled workers.

However, the third item is quite obvious: the first two directions will produce positive results only when the necessary foundation for the reforms is provided at the federal level. The president and the government should such rules of the game as would be advantageous for the commodity producer and motivate him to work efficiently.

Vladimir Oblast

994E0505E Moscow *RABOCHAYA TRIBUNA*
in Russian 22 Feb 94 p 2

[Unattributed article: "A Production Drop at All Enterprises"]

[Text] The work of the majority of the Vladimir Oblast's enterprises has been paralyzed, including at such large ones as the tractor plant, Tochmash [precision machinery], Elektropribor [electrical instrument], Tekhnika [equipment], the Kovrov Plant imeni Degtyarev, and the Murom Radio Plant.

A drop in production volume in 1993 was noted at enterprises with all forms of ownership and in all sectors. The most complicated situation over the course of the year persisted in the light, chemical and fuel sectors, where the decline amounted to 31-37 percent. The production of cotton cloth was curtailed by half, of footwear by 51 percent, of linen cloth by 29 percent and of knitted wear by 34 percent.

Of the sectors of the machine-building complex, the greatest lag behind the 1992 level was noted in the machine-tool and instrument industry—by 32.9 percent.

There is a complicated situation in the military-industrial complex, in which every fifth oblast enterprise is engaged. The state indebtedness for goods produced here exceeds 35 billion rubles [R]. The average wage at these types of enterprises is 15-20 percent lower than that for the machine-building industry on the whole.

There was a sharp increase in lost work time in connection with the protracted production stoppages. Their percentage increased from 8 percent in the first quarter to 17 percent in the fourth quarter. The overall losses of work time for the oblast last year amounted to 5.5 million man-days.

The payment indebtedness for the oblast's enterprises on 1 December amounted to R249.8 billion.

Kostroma Oblast

944E0505F Moscow *RABOCHAYA TRIBUNA*
in Russian 22 Feb 94 p 2

[Unattributed article: "The State Is Obligated To Settle Up with the Village"]

[Text] The volume of industrial production in 1993 decreased in comparison with the previous year by 14.5 percent. This includes the 16.9 percent decrease in December. In the sectors geared toward the consumer market, the reduction in the output of industrial products amounted to 7.4 percent.

At defense complex enterprises which are implementing conversion, the decline in production in comparison with 1992 was 40 percent.

The non-payment crisis led in December to the total or partial shutdown of 58 of the oblast's industrial enterprises.

There is a complicated situation in the agroindustrial complex. An increase in the production of individual types of agricultural products was provided in the past year solely through private subsidiary plots, while, in the public sector, the decline is continuing to increase. Cattle raising is being curtailed. Enhancement of the land's fertility has been stopped. The extent of deterioration of the machine and tractor fleet amounts to 80 percent.

The program for the revitalization of the Russian countryside is not being carried out. New housing starts in the

village have been cut back and there has been curtailment of the construction of cattle-raising accommodations and cultural and consumer facilities.

London School of Economics Analysis on Living Standards in Russia

944E0493A Moscow *IZVESTIYA* in Russian 17 Feb 94
First edition p 4

[Article by *IZVESTIYA* writer Irina Savvateyeva: "A London Professor on the Standard of Living in Russia"]

[Text] Richard Laird, a professor at the London School of Economics, in conjunction with specialists of the Work Center for Economic Reforms under the Government of Russia, has done a study of the standard of living of Russians. His approach to the problem turned out to be somewhat nontraditional.

Are We Poor? Or Perhaps Not So Poor?

According to Professor Laird's calculations, with the average wage at the end of 1993 it was possible to buy 83 percent of what could have been acquired for similar wages in 1985. But in general at the end of last year Russians had about 90 percent of their 1985 income.

But this overall, quite pleasant picture was significantly adjusted by the figures that characterize social stratification. The difference between the "average" and that 10 percent of the population who occupy the lower rung of the income ladder is growing. While in 1991 the latter had 52 percent of the average income, by the end of 1993 they were left with only 40 percent. At the same time, in Mr. Laird's opinion, this spread in the incomes is comparable to the degree of stratification that is observed in Great Britain.

And another curious tendency: In 1993 we managed to reduce the proportion of Russians living in poverty.

The Reasons for Inequality: Discovery Laird Style

The London professor thinks that the reasons for the stratification in Russia are the difference in earnings and the nonpayment of wages. He categorically disagrees with the widespread opinion in Russia that the poor system of social protection of the underprivileged also contributes to this. Here are Mr. Laird's thoughts.

The pension? But the ratio between the average pension and the average wage last year was the same as in 1985. And 12 percent higher than in 1992.

Stipends for children? There is no doubt that this is the most important element in the system of social protection. Since there are more Russian children in poverty than Russian pensioners. But by the end of last year this indicator was higher than in 1985. True, the situation deteriorated this January. As a result of the indexation of the minimum wage conducted in December, the

amounts of stipends relative to wages decreased. And now they are somewhere around the level of world standards.

Unemployment compensation? It is indeed low. But it is quite comparable to our minimum wage. And it amounts to approximately 10 percent of the average wage. Undoubtedly it is less than the unemployment compensation in any other country of the world. But our level of unemployment is not high—1.4 percent of the entire work force.

Incidentally, the professor categorically disagrees with the idea that the actual level of unemployment in Russia is much higher than the official one. According to his figures, we have an increase in the number of people employed in the financial sphere, the system of social protection, and trade.

Moreover, last year many enterprises tried to avoid mass firing. They did this for two reasons. First, out of social considerations. Second, it was advantageous for the managers to keep many workers but pay them little. Since high taxes are imposed on high earnings.

A Unique Way of Fighting Unemployment?

Quite possibly, thinks Mr. Laird. This method consists in that the people do not lose their final connection with the enterprise until they have a new job. They go on unpaid or partially paid leave and work a partial work week.

To be sure, the London professor does not agree with the assessments of this phenomenon made by certain Russian researchers. Here is what he says:

"I decided to verify the following assertion: 'During the past 10 months, 5 percent of the workers were on partially paid leave.' And what did I find out? This leave lasted an average of 23 days a year. But this means that a total of only 0.7 percent of the work force was on this kind of leave during the year. This figure is not very large."

In the opinion of the Englishman, the Russian "humane"—as he christened it—means of fighting unemployment will be effective only when a personnel retraining system is in place. But up to now very little has been done in Russia to prepare people for new occupations. This is the circumstance that Richard Laird considers to be "the greatest failure of the reforms."

'No.1. Counterfeiter of Banknotes' V. Baranov Interviewed

944E0498A Moscow KOMSOMOLSKAYA PRAVDA
in Russian 18 Feb 94 p 5

[Interview with Viktor Ivanovich Baranov, convicted counterfeiter, by Oleg Karmaz, date and place not given: "King of the Counterfeiters"]

[Text] Allow me to introduce you to a genius, a criminal genius—a man who served his full term in the "zone"—12 years. This self-taught man once led the whole Soviet militia on a merry chase.

They say that when he was arrested, former USSR Minister of Internal Affairs N.A. Shchelokov immediately reported the arrest personally to L.I. Brezhnev. That is how notorious "Counterfeiter Number One" was at that time.

After President Ivan Barbot of Interpol had taken a good look at Viktor Baranov's "products," he tersely remarked: "If your country does not join Interpol, you will be ruined...."

We did not hear anything about him for a long time. We heard that he was "doing time," and that was all. His name was not mentioned in the press, and people tried not to discuss him. It was as if he was a top-security nuclear physicist.

Some of the events of our daily life, however, did evoke some mention of him. These were news items that were not particularly pleasant to hear—especially for the scrupulous Central Bank staff. I am referring to the recent official announcements of a mass epidemic of counterfeiting in Russia.

Counterfeit banknotes, primarily 50,000-ruble bills, are "surfacing" everywhere—in bank branches, stores, and in markets (one of these, incidentally, even reached the bookkeepers in our editorial offices). Some of them are ordinary xerox copies, but some others have all the earmarks of hand-crafted items. We have learned that the new Russian rubles have almost no protective features (experts, incidentally, did issue cautionary warnings about this), and that their duplication is an easy and rudimentary task.

It was rumored that Viktor Baranov had been asked to serve as a consultant to Goznak [State Bank Notes, Coins, and Medals Administration]. They say he was asked to do this by his namesake, Central Bank Chairman of the Board Viktor Gerashchenko, and that the "king of the counterfeiters" is now in the government's good graces.

"That is utterly absurd," Viktor Ivanovich snapped at the very start of our conversation. "No one ever asked me to do anything or suggested that I do anything. The people there, in Goznak, would turn up their noses at the very thought. They see me as a criminal, a convict—in general, an unsalvageable man. Meanwhile, for some reason, no matter how much they try, they cannot make authentic banknotes. But I can, and I could devise a currency that no one could ever copy."

[Karmaz] If they did invite you, would you go there?

[Baranov] Without question. The sight of today's money is painful to me: It is so flimsy. It does not even feel like money, and it does not command any respect. Money has to look like money and have a commanding design.

I could create that kind of currency. I promise I could! Evidently, however, that will never be.

[Karmaz] At one time you made bills that were virtually indistinguishable from real money. Furthermore, from what I have heard, you printed them in a shed, with equipment you built yourself.

[Baranov] Why do you say "virtually"? They were completely indistinguishable from the originals! Even under a microscope. This was true of the 50- and 100-ruble bills. It is true that I stopped making them after a while. They were boring. My 25-ruble bills had a tiny "glitch." You might call it a trademark. There was just one irregularity in one of the thousands of links of the protective grid on the back of the note. This one link on my bill tilted upward just slightly. That was all. Everything else was exactly the same—as if in a mirror.

As for the equipment, I had my own Goznak in the shed, and I hope you will not take this as an idle boast. Of course it was only a tiny fraction of the real Goznak's size, but this was not a problem—it is just what I wanted. Why take the trouble of building a press the size of a three-story building if one no bigger than a television set will do exactly the same thing?

[Karmaz] As a nonprofessional, I would think that the watermark would be the most difficult part of the process. Then there would be the problems of copying the design, the colors, and so forth. Am I right?

[Baranov] In principle, yes, although all of the stages are difficult. I can tell you that I spent 3.5 years getting the watermark right, and the colors took another 2.5 years, although I did come up with the press right away. I remember that the investigators asked me to conduct an experiment and print a bill in the inspector's office. All of the generals and all of the "bigwigs" from Moscow came to see this: No one could believe that money could be printed with equipment taking up no more space than two writing desks. The first thing I did was to print the watermark, Lenin's profile. After that, just for fun, I printed the design of one side of the bill on ordinary paper from the inspector's desk instead of on "currency-grade" paper. There was no more doubt. The experts wrote that my forgeries represented an "exceptional danger to society." And they gave me 12 years, although they certainly could have given me a lighter sentence.

[Karmaz] You have suggested that you "cooperated fully and voluntarily with the investigators."

[Baranov] What would you call it? I told them everything, I showed them everything, and I explained everything. I even refused the services of an attorney. I figured that I had been caught, and now I had to pay for the crime.

[Karmaz] That sounds so virtuous.

[Baranov] There was nothing virtuous about it! I am not an angel. If you do something wrong, you have to suffer the consequences. But this case.... The prosecution asked

for 12.5 years, and the judges "were lenient" and sentenced me to 12. But enough about that. It happened and now it is over.

[Karmaz] But what made you set up this underground Goznak? Was it the thrill of taking risks?

[Baranov] It was just something I had to prove to myself. I wanted to see if I could do something that was supposed to be absolutely impossible. The experts at the hearing said that no one before me or after had even come close to what I had done.

The whole thing started this way. When I got out of the army—I was serving in Germany—I came back home just when the currency reform began, in 1961. When I looked at the new crisp rubles, believe it or not, my heart began to pound. It was as if I were looking at "La Gioconda." The bills were beautiful, like fine works of art. The design on the 25-ruble bill was particularly striking. It was elaborate, imaginative.... In short, it was a feast for the eyes.

I decided to copy the design. I tried tracing it, but under a microscope I saw that the drawing consisted of several layers—one on top of the other. Some of the lines could only be seen when they were magnified 60-80 times. I went to the local library and took out all the books I could find on engraving, printing, and plating. I had a sense that these were not enough. I was still only an ignorant dilettante at that time. I went to Moscow, to the Lenin Library. I remember looking through Professor Sinikov's "The Production of Engraved Printing Plates," Herezin's "Printing Materials," and a couple of other books. After I had read them, I realized that I would have to have copies of my own. I had to "borrow" them from the Lenin Library.

In general, I started with the fundamentals and learned everything I could. Then I began developing my own printing methods. I designed miniature machine tools and presses and developed solutions and dyes. Everything fit into a small shed. No one could have suspected anything. The only clue was that my neighbors suffered brief power lapses when I began working.

[Karmaz] In the case file I read your statement that money could also be printed by another method, a completely different method from the one you used.

[Baranov] I told the investigators at that time: Give me three years, and I will come up with an even simpler method of printing currency. It will not call for any gigantic institutions like Goznak, all types of scientific research institutes, and so forth. I was already planning to build a machine in my shed. I had made some notes. I wanted to put the raw material into one side of the machine, push a button, and then take the finished bills out of the other side.

[Karmaz] But that sounds like science fiction

[Baranov] Why science fiction? I had already made all of the calculations. I am not a naive theorist, after all. I am

a craftsman, and an exacting one. In general, they told me: Just try to design anything of the kind.

[Karmaz] But how did they catch you? After all, for a long time all of the investigators and security personnel thought that this was the work of a large gang of counterfeiters—around 50 or 100 people. They were looking for you for a long time. From what I heard, all of Russia was divided into sectors, depending on the number of your "products" in circulation there. All Goznak personnel without exception were under suspicion. And all of this was futile. Was it really just a fluke that you were caught?

[Baranov] Of course.... I usually got rid of most of my bills in the marketplace in Cherkessk, about 100-120 kilometers from here, from Stavropol. All of the cashiers, clerks, and private vendors in the markets had been warned, it goes without saying, that a man with a large sum of money might come there to exchange bills on the sly. On 12 April, right on Space Exploration Day, at around three in the afternoon, they caught me. A kolkhoz farmer in the marketplace saw me exchanging bills and "alerted" the militia, and things went on from there.

[Karmaz] I heard that the kolkhoz farmer was later granted a private audience with Shchelokov and was awarded an engraved watch for "vigilant action leading to the apprehension of a particularly dangerous criminal."

[Baranov] I know, I know. So what? Maybe he deserved it.

They drove me to Stavropol, where all of the militia personnel and officials were already waiting for me. Incidentally, the whole interrogation and all of the pre-trial experiments were taped. The tape was later

shown, they told me, to L.I. Brezhnev among others. I do not know what he said about me, and I did not really care that much.

When the interrogation began, I was asked, as I already said, to print just one bill. I told them what kind of reagents and paper I needed and asked them to bring me my confiscated equipment. That was the start of an elaborate charade: I would ask them, for instance, for vitriol, and they would bring me cyanide. I would ask for lead oxide, and they would bring barium oxide. They were trying to find out if I really understood what I was doing. Later, they acknowledged that I knew just what I was doing.

Declining Soil Fertility Worries Agrarians

Pskov Oblast Case Significant for Russia

944K0718A Moscow ZEMLYA I LYUDI in Russian
No 3, 21 Jan 94 pp 1, 3

[Article by V. Maryasov: "A Landslide Reduction in Fertility"]

[Text] Russian fields expect a landslide reduction in fertility in the next few years, unless the state takes over the financing of agrochemical work.

Not long ago I had occasion to attend an All-Russian seminar conference of agrochemical workers. The speakers said with alarm that the erosion of nutrients from the soil had increased considerably (Table No 1). We are taking all the sap from the land, and giving it nothing in return. This can have only a deplorable ending. In two or three years such a landslide reduction in the production of agricultural products will set in that no loans and no infusions from the West will help.

Table 1. Supplies of Mineral Fertilizers and Productivity of Plowed Land in the Russian Federation

Years	1966-70	1971-75	1976-80	1981-85	1986-90	1991-92	1993 expected results	1995 specified by fertility program
Supplies of mineral fertilizers (kg/ha of active substances)	28	48	65	83	99	60	33	127
Grain harvests (quin/ha)	13.5	13.7	14.8	14.0	17.4	17.2	17.5	21-23
Loss of nutrients (kg/ha)	88	89	96	91	113	112	114	143
+ - kg/ha	-60	-41	-31	-8	-14	-52	-81	-16

V. Ivanova, director of the Velikiye Luki Chemization Station in Pskov Oblast, was one of the first to speak at the seminar.

"The conditions for agricultural development in the oblast are very difficult," said Valentina Fedorovna. "Poor soil, lack of roads, depopulated villages—these are the characteristic features of our region. Hopes that we would have a normal life appeared in 1981-1982, when

road construction and land improvement were firmly undertaken. In these years, the intensity of agrochemical service picked up. For example, high rates of liming made it possible to reduce the soil acidity from 60 to 30 percent. One could say that the land took a deep breath. The best farms began to obtain 20 quintals of grain from each hectare, and 200 quintals of potatoes. This did not last long, unfortunately. Gradually, all the good beginnings began to be reduced to nothing. In the last year or

two, the Pskov rural area, I can say without exaggeration, has been approaching the critical line.

"You know, everything begins with the land, but our land has found itself neglected. The placement of mineral fertilizers has dropped by a factor of eight, as compared with the 1980's, of organic fertilizers—by a factor of three, and four-fold fewer fields are being limed. Things are coming to the point where soon a nutritive element such as potassium will not remain in the soil.

"The amount of acidic soil is increasing. We can go back to the days when the acidity was such that no crops grew: barley would sprout and immediately die. Now we are approaching the same point: what we accumulated by granules for 30 years we ran off in two to three years.

"The Pskov farmers obtained a 40-million-ruble [R] loan this year to purchase mineral fertilizers. In other words, there were R100 per hectare of plowed land. What can you buy for that? This is not a loan, but a mockery.

"The financial situation of many farms is catastrophic. Things have come to the point where it has become more profitable not to cultivate the land than it is to cultivate it. The expenses to grow flax at the farms are more than the flax mills pay for it. They say that we used to have a ridiculous economy, but what we have come to does not fit into even this concept."

Valentina Fedorovna also came out with a specific proposal: agrochemical work should be financed by the state. The farms cannot buy fertilizers at the existing prices. The farmers are also turning to the agrochemical service for help. They have many problems, and there must be interaction. When you ask the farmers about paying for the services, though, each one shrugs his shoulders: "What payment?! I have nothing but debts, and this is the third year that I haven't had a penny of income."

This is the sort of speech you have. It is hard not to agree with many of the arguments. At the same time, however, one feels like arguing. What is easy to come by is not so highly valued. Not so long ago, fertilizers arrived at the farms as if from a horn of plenty, and moreover, were very cheap. So? We all remember their being scattered on the borders of the fields, in the gullies, torn sacks and incompetent storage, when they poured what should have been separated into the same heap.

As we know, the doses of fertilizer placement are closely tied into the reserves of nutrients in the soil, a fact which agronomists often disregard. There was a time when many specialists acted blindly, on the principle of "we take a measure from the embankment, and then we sort it out." The soil on their farm remained a thoroughly hidden mystery to them. Now, true, most of the farms have agrochemical charts. Consequently, there is a possibility of forming a norm for the placement of fertilizers according to the needs of the plants in each field.

Not everything depends on the charts, though, there are two sides to the coin. In this case the second side concerns the technical outfitting of the farms. Over ten years ago, science worked out a local method for placing fertilizers. To this day, however, the peasants have not received the equipment for this and are forced to use machines with a centrifugal sifting apparatus to place fertilizers. The lack of uniformity in placing fertilizers in this case reaches three- or four-fold the normal value. The consequence? A tremendous overexpenditure of fertilizers and an increase, on some sections of the fields, in the nutrient dose, as compared with the recommended one.

This means that the problem is far from ambiguous. A simple "let it be" will not do very well here. Competent chemization of agriculture is transforming the rural area, that is indisputable. In the developed countries, however, the means of chemizing and protecting plants merges with new technology. The yield that comes from this can be judged by the published table (Table 2).

Table 2. Application of Fertilizers and Harvest (the first line [figures before slash]—active substances applied, kg/ha; the second line [figures after slash]—grain harvest, quin/ha)

Countries	1960	1970	1980	1985	1990
Great Britain	179/31.1	226/35.3	319/49.1	367/55.0	348/59.2
FRG	281/31.7	379/33.4	480/44.3	426/52.9	411/56.7
France	96/24.8	219/33.7	309/48.4	297/57.1	312/61.0
Hungary	29/19.6	150/24.9	262/47.3	253/50.4	246/44.1
Czechoslovakia	95/22.7	230/27.3	334/40.1	337/45.4	307/50.4
United States	42/24.4	87/31.4	113/37.5	110/47.4	106/47.1
Russia	7.0/10.7	33/15.6	68/12.9	96/14.5	90/18.5
Finland		171/23.9	190/27.6	210/29.1	227/35.4

Attempts to Counteract Erosion in Virgin Lands

944K0718B Moscow ZEMLYA I LYUDI in Russian
No 4, 28 Jan 94 p 3

[Interview with A.P. Spirin, senior scientific associate of the All-Russian Mechanization Institute, doctor of Agricultural Sciences, professor, written down by I. Kalashnikov: "We Have Conquered Erosion"]

[Text] This marks the 40th year since the start of developing virgin and fallow lands. Whatever the evaluations of this major national economic program, there is undoubtedly one: putting into circulation vast, formerly unused, arable land made a weighty addition of grain in the country's food product balance. The approaching anniversary, therefore, deserves to be noted on a broad scale. Our newspaper, too, proposes to publish a number of items on this subject.

Today A.P. Spirin, senior scientific associate of the All-Russian Mechanization Institute, doctor of Agricultural Sciences, professor, tells us about the solution to one of the very important problems—developing anti-erosion equipment, without which all the efforts of the virgin soil subjugators might have lost their value.

Anatoliy Petrovich [Spirin] noted: At the beginning of the 1950's, our country had vast areas of arable land, unused for a number of reasons. This land was not only in Kazakhstan, where there were many million hectares of virgin land (it was thought to be mainly low-efficiency saline soil, and therefore was not plowed). There were quite a few unplowed territories in Western and Eastern Siberia, in Altay and in the Volga area, even on the Kuban and in Rostov Oblast.

Calculations and estimates showed that these lands were over 20 million hectares in area. If an average of at least ten quintals of grain per hectare were harvested, this promised an addition of 20 million tonnes of grain a year. This would, of course, be a major reserve for the production of grain, the shortage of which we were already beginning to feel.

The country's government therefore devoted major attention to accelerated development of the virgin land. A great deal of agricultural equipment was sent to Kazakhstan and to the eastern regions, and thousands of machine operators went there. The epic being lived through by the entire country began.

As far back as on the eve of developing these lands, expert agrarian scientists gave notice in advance: the virgin land must not be plowed with ordinary equipment—there was a danger of wind erosion. Here they alluded to the bitter experience of countries such as the United States and Canada, which had experienced the serious consequences of the dust storms of the 1930's. The only way to avoid misfortune was to use non-terracing tilling of the soil in the steppe regions, where strong winds blow. While traditional—terrace—plowing deprives the earth of the protective plant covering,

non-terracing plowing keeps the stubble plant remnants on the surface, which ensures reliable wind-erosion protection of the soil.

World experience attested to this and taught this and also the fact that a subsurface cultivator and other anti-erosion equipment should be used instead of a plow. Unfortunately, we did not have this equipment. We therefore had to till the earth with ordinary machines in the early days. Fortunately, at first we got by without dust storms. They soon made their presence known, however.

The scientific institutions of those days, VASKhNIL [All-Union Academy of Agricultural Sciences imeni V.I. Lenin], including VIM [All-Union Agricultural Mechanization Scientific Research Institute] and, in particular, our Department of Agricultural Soil Protection Mechanization, worked persistently on developing, in the shortest time possible, the machines and implements that the virgin soil tillers needed. We all succeeded in achieving the task successfully.

KPG-250, KPG-2-150 and KPP-2-2 type subsurface cultivators were among the first implements built. They were quite simple implements. What are they like? If you make a diagram, it is two blades, placed at an angle (the so-called aperture angle, equal to 110-120 degrees) and a post in the middle. Moreover, the blades are slanted toward the plane of the earth—this is the crumbling angle or cutting angle. They made it possible to till the soil to a depth of 25-27 centimeters, with a 1.5-2-meter swath width. The special feature of the subsurface cultivator lies in the fact that using them does not turn over the earth, as occurs when plowing with a plow, and causes virtually no destruction to the upper interwoven layer of the root system. This, I repeat, protects the soil from wind erosion.

In addition to the subsurface cultivators, a number of other machines were developed, which took into consideration the specific nature and special features of non-terracing technology. These are: the KSh rod weeder, the BI-3 toothed harrow, stubble drills and snow plows. In all, the set of anti-erosion equipment included 11 new descriptions of machines and implements. VIM scientific associates A. Plishkin, V. Trufanov and N. Ivanov did a great deal of fruitful work on developing them in those years. The work was done with the active participation of specialists of the design bureau of the Odessa Agricultural Machine Plant imeni October Revolution. Incidentally, it was at this same plant, which specializes in the production of plows, that subsurface cultivators and other means of mechanization for virgin land workers were developed and produced for the first time.

At the same time, of course, foreign experience was taken into consideration. There was no mere copying of foreign equipment here, though. For instance, the American subsurface cultivator was designed for fine tilling of the soil—only 12-15 centimeters. In our country, considering the specific nature of our soils, we hold the

opinion: the deeper, the better. Therefore we developed implements with deep tilling, twice as deep as the American ones.

Furthermore, in those years the United States used wheeled tractors, whereas we used mainly caterpillar tractors. Their tractor-mounted implements could not be unitized with our caterpillar tractors, which the designers also took into consideration.

What can be said about the first-generation anti-erosion machines? They were quite efficient, workable equipment, which was widely used in various regions of the country. It made it possible to introduce a soil-protection system of farming on an area of over 20 million hectares, that is, on virtually all the virgin land regions, and to stop wind erosion there. Moreover, the use of these implements increased the grain crop yield by an average of two to five quintals per hectare. This is because preserving the plant remnants contributes to snow retention, and consequently to increasing the moisture in the soil. The developers of the equipment were awarded the Lenin Prize in 1972.

At the same time, the operation of the first subsurface cultivators and other machines convinced us of the need for their further improvement. As more and more new areas were plowed, more productive and reliable equipment was required. In addition to VIM, associates of the Special Design Bureau for Anti-Erosion Equipment (GSKB PET), created in Tselinograd in 1965, with the participation of specialists from VISKhOM [All-Union Agricultural Machine Building Scientific Research Institute], VNIIZKh [All-Union Grain Farming Scientific Research Institute] and KazNIIMESKh [Agricultural Mechanization and Electrification Scientific Research Institute of the Northwest USSR], were attached to the work. Through their joint efforts, a set of second-generation machines, which included 20 descriptions, was successfully designed.

The farms of the virgin land regions began to receive the KPSH-9 and KPSH-11 wide swath subsurface cultivators. Their swath width is respectively 9 and 11 meters, which is several times more than that of their predecessors. The output of harrows, grain erosion drills, snowplow-swath collectors and other machines distinguished by both high reliability and by a wider swath, was also developed. For instance, the BMSH-15 and BMSH-20 type harrow-hoes are capable of tilling a strip of land 15 and 20 meters wide.

The fact that, by that time high-power tractors such as the T-150, K-700 and K-701 had been developed and produced, contributed to widescale use of this powerful equipment. There was no longer any need to use clumsy tractor hitches. Labor productivity more than doubled.

The main result was that wind erosion was conquered. The volume of soil-protective technology introduced rose considerably. This made it possible to obtain an additional 13-15 million tonnes of grain a year. The group of scientists and specialists—the creators of the second-generation machines and implements—were

awarded the State Prize in 1988. Among them were L. Kim, A. Buryakov, A. Gribanovskiy, G. Kuzmin, V. Suchkov and others.

Work is now continuing on improving the subsurface equipment. The task lies in creating ecologically safe, as specialists say, agrophilic machines and implements. The adverse effect of their working members on the soil should be minimal: they will pulverize it less, better retain the plant remnants and pack it down less.

Lack of Chemicals Offsets Good Soil Moisture Supplies

944K0718C Moscow ZEMLYA I LYUDI in Russian
No 5, 5 Feb 94 p 3

Article by A. Postnikov, corresponding member of the Russian Academy of Agriculture, director of VNIP-TIKHIM [All-Union Scientific Research and Planning and Technological Institute of Chemistry], and V. Kondratenko, senior specialist of the Chemical-Protection Main Administration of the Russian Federation Ministry of Agricultural Products: "Do Not Repeat Last Year's Mistakes"]

[Text] What does the coming year have in store for us? Hopes, doubts, alarms—these are feelings very familiar to every grain grower as spring approaches. Most of the regions sown to winter crops, even the non-fallow predecessors from fall, have good moisture reserves in the soil, and after all, it is they which in many ways determine the growth and development of the crops in the first two months after the regeneration of the spring vegetation.

Average Moisture Reserves in a Metric Layer of Soil Sown to Winter Crops for Nonfallow Predecessors (mm)

	1993	Norm
Belgorod	169	110
Voronezh	164	106
Kursk	188	113
Lipetsk	149	125
Tambov	179	115
Volgograd	102	67
Samar	148	91
Saratov	146	106
Ulyanovsk	217	108
Stavropol	86	68
Rostov	131	62
Tatarstan	160	135
Bashkortostan	169	129
Orenburg	166	73

At the same time, the soil's content of nutrients is extremely meager. Last year's negative balance of them, when the removal with the crops and weeds exceeded the

intake with mineral and organic fertilizers by a factor of three, had its effect. According to the data of soil diagnosticians, the already small reserves of nitrogen were washed from the top soil to deeper layers. In virtually all the areas, the winter grain had to be given supplementary feeding with nitrogen fertilizers, and in intensive farming—double supplementary feeding with complex fertilizers cut into the soil with grain seeders.

Predictions are that root rot will be widespread in spring, and to combat it, in addition to fungicides, we widely recommend the use of liquid complex fertilizers, phosphorus and potassium solutions. This not only reduces the damage to the plants due to fungus disease, but also increases the stalk's resistance to lodging.

For more productive use of ground equipment and agricultural aviation, it is advisable to make wide use of tank mixtures of fertilizers, pesticides and retardants.

The moisture reserves in the soil make it possible to predict the high efficiency of local use of fertilizers when spring wheat and corn crops are planted: each kilogram of nutrients will make it possible to obtain an additional 5-7 kilograms, converted to grain, of products. Last year, despite the sharp rise in prices for mineral fertilizers, every ruble spent for their application became 1.5-2 rubles net profit.

Unfortunately, because of financial difficulties and a lack of money in the rural commodity producers' accounts, the warehouses of the farms and Selkhozkhimiya rayon associations stand empty. Many chemical combines suspended production in December-January for the same reason. There is no clarity with respect to the supply of aviation gasoline—and time is not standing still.

One recalls the sad experience of last year. When the agricultural producers rushed to look for fertilizers in April-May, the jobbing demand for them began. Things got to the point where the government was forced to forbid the export of fertilizers outside Russia for two months, but, despite the measures taken, the chemical industry could not, just like that, fully satisfy the peasants' demand.

One way of getting out of the situation that has been created can be seen—to come to an agreement with the chemical enterprises on shipping mineral fertilizers and pesticides to the warehouses of the Selkhozkhimiya rayon associations, without pre-payment, for responsible storage. This will make possible fuller use of the production capacities of the Selkhozkhimiya supplying enterprises and storages, and the agricultural producers will gain the possibility of carrying out agrochemical and protective work in the necessary amounts and in better agrotechnical periods.

Agrarian Academicians' Warning on Fertilizer Non-Availability

944K0730A Moscow SELSKAYA ZHIZN in Russian
20 Jan 94 p 1

[Article by Anatoliy Postnikov, corresponding member of Russian Agricultural Academy and director of Scientific Research Institute of Chemical Production and Technology, and Anatoliy Kondratenko, chief specialist in Main Chemical Plant Protection Administration of Russian Ministry of Agricultural Production: "It Is Time To Gather...Fertilizer"]

[Text] Agrometeorological forecasts for the majority of Russia's regions are completely favorable, promising good conditions for ample precipitation in spring. Farmers feel that this gift of nature cannot be dismissed. It will be important to concentrate on local applications of complete fertilizers during the sowing of spring crops. Their effectiveness will be higher than ever, because of the extremely low content of nutrients in the soil. Last year's negative balance of nitrogen, phosphorus, and potassium—when the quantity of these removed from the soil with the harvest and weeds was three times as great as the quantity added to the soil in mineral and organic fertilizers.

In addition to this, even the meager remaining supply of nitrogen was washed into the deepest layers of the soil by the fall rains, and winter grain crops required top dressing almost everywhere. Besides this, widespread blight and root rot are expected, and these will have to be combated with protective chemicals and with complete liquid fertilizers and phosphorus and potassium solutions. In short, mixtures of fertilizers, pesticides, and retardants will have to be applied on a broad scale, mainly by agricultural aircraft.

In southern Russia this work should begin any day, but it probably will not begin because the mineral fertilizer storage bins of farms and associations of the Agricultural Chemicals Administration are empty, and no one knows where the gasoline for airplanes and helicopters will come from. The production of mineral fertilizers has been stopped or is on the verge of being stopped at the large chemical combines in Nevinnomyssk, Tolyatti, Uvarovo, Kemerovo, Dzerzhinsk, Solikamsk, Cherepovets, and Balakovo. There has been a corresponding dramatic decrease in the demand for raw materials for fertilizer produced by the Apatit, Uralkaliy, and Silvinit production associations. As a result, last December agricultural producers obtained an average of only 500 grams of nutritive substances per hectare of plowed land.

In more specific terms, farms in Volgograd, Saratov, Kurgan, Orenburg, Novosibirsk, and Omsk oblasts, Altay Kray, Kalmykia, and Dagestan have two or three kilograms of mineral fertilizers per hectare for this year's harvest. Farmers in the United States use 100 kilograms per hectare, farmers in Germany use 400 kilograms, and in the Netherlands they use 800 kilograms per hectare!

Last year's sad experience testified that the preferential credits and 30-percent subsidy for mineral fertilizers and pesticides in March resulted only in a sudden high demand for them in April and May—i.e., at the height of the spring sowing season, when chemical combines were unable to fill all orders in such a short time. Furthermore, the state aid to agriculture went astray in commercial banks.

Is this likely to happen again? It might. Secretary O. Lobov of the Russian Federation Security Council informed the president of the disastrous state of the production and use of mineral fertilizers. On the last day of last year, B.N. Yeltsin issued the appropriate instructions to the government. Now almost a whole month has gone by. What has happened? No one is doing anything, and it appears that no one plans to do anything. After all, it will not be the first time the omnipotent Ministry of Finance and Ministry of Economics have put the brakes on such instructions.

Apparently, in the words of the biblical parable, it is time to start gathering stones instead of scattering them. We see only one solution: The state should pay chemical combines directly for fertilizers, meliorative chemicals, and pesticides delivered to the storage facilities of the Agricultural Chemicals Administration. This is the only way agricultural producers will be able to conduct agro-chemical and protective operations on the necessary scales and at the best possible times.

This should not be viewed as aid to the rural community: Agriculture not only produces food, but also provides jobs for tens of millions of industrial workers in the chemical industry, machine building, power engineering, transportation, and other branches!

Agricultural Machine Builders Call for Steps To Avoid Calamity

944K0730B Moscow SELSKAYA ZHIZN in Russian
1 Feb 94 p 2

[Article by Ivan Fedorov (St. Petersburg): "We Need a Precise Program"]

[Text] Representatives of the trade-union organizations of the largest machine-building enterprises called upon all labor collectives in the country to stop the total devastation of the national economic complex and to not be indifferent observers of the tribulations of national industry. They had gathered for a joint meeting in the Kirovskiy Zavod joint-stock company.

It has been more than 70 years since Russia experienced this kind of economic collapse, and whereas the collapse then was caused largely by the effects of civil war and intervention, now the powers that be are wholly to blame. As speakers said at the meeting, all structures of production management—local, regional, and national—are absolutely paralyzed.

Agricultural machine building, however, might be in the worst position. All work has stopped at the largest tractor plants—the Altay, Vladimir, Volgograd, Lipetsk, and Ural plants. Tractor production is at a standstill at the Kirov Plant, and this has halted operations at most other related enterprises. Hundreds of thousands of highly skilled workers have had to take an unpaid leave from work.

The survival of the enterprises, speakers said, will require a precise government program for emergence from the crisis, primarily entailing changes in tax policy, the alleviation of the effects of mutual non-payments, and the creation of advantageous conditions for Russian producers of goods.

"It has to begin with the payment of the state's debts to the rural community and with its economic revitalization," said Chairman Pozdnyakov of the trade-union committee of the Rostselmash joint-stock company. "Then industry will also recover."

Speakers suggested that all members of labor collectives be asked to gather at their previous places of employment as a means of exerting social pressure and reinforcing the consolidation of the laboring public. An organizing committee was formed to take charge of the preparations for an all-Russian conference of industrial workers.

Interview With Creator of 'Ispolin' Concern Oleg Samoylov

944E0476A Moscow RABOCHAYA TRIBUNA
in Russian 11 Feb 94 p 6

[Interview with Oleg Samoylov, creator of the Ispolin Concern, by Viktor Andriyanov and Vladislav Boyarkin; place and date not given: "Everything Will Come Through for Ispolin"]

[Text] At exactly 1100, as agreed, a plain Zhiguli drove up to the entrance of the Lenin Order Recipient Space Research Institute (copied from the plaque). A young man of the Pierre Bezukhov type emerged from the car. In an unbuttoned, loose-hanging coat.

"They are with me," he told the guard, and the turnstile turned three times, letting us into one of the most secret institutes.

We walked past a winter garden, where mock-up space craft were scattered amidst the palm trees, past doors with combination locks and the nameplates of scientists known throughout the world. But the topic we were going to write about was not space research. Under this cosmic roof—uncrowded—lives Ispolin.

It is time to introduce its creator—Oleg Albertovich Samoylov.

Life Itself Turned Us Toward Production and High Technology

[Samoylov] I was born in 1964 in Sverdlovsk—nowadays called Yekaterinburg. I was a young child when my parents took me to the then closed city of Krasnoyarsk-45, where enriched uranium was produced. My father worked there. Several years later we moved to Naberezhnyye Chelny. So I spent my youth at the KamAZ [Kama Auto Works].

I did my army service in Mongolia and returned to the plant. I worked in the Komsomol [All-Union Leninist Communist Youth League] committee, trade union committee, and studied at the Imeni Plekhanova Institute of National Economy, specializing in finance and credit.

When perestroyka began, I worked for a while in a cooperative producing construction materials, and in 1989 I opened my own company—Intercom. A spare parts supplier.

At approximately the same time my current partners and colleagues Vladimir Rybakov and Aleksey Potapkin started their own business in Moscow. Their company, P&R (Potapkin and Rybakov), sold spare parts for trucks. We combined our efforts and capital; the result was the Avtokomplekt company. I and four other guys who worked with me in Naberezhnyye Chelny became Muscovites.

[Question] Just like that? Only recently one could only get transferred to Moscow, as they used to say, in keeping with a decision of directive organs. This required lots of paperwork.

[Samoylov] "Different times—different songs..." In the fall of 1991 one could already buy both an apartment and a residence permit, which is what we did. We opened a number of other enterprises in addition to Avtokomplekt, and gradually arrived at the idea of a holding company. In the summer of last year Ispolin was registered as a Russian industrial-financial concern.

[Question] It appears that the word "Russian" in the company name is not accidental.

[Samoylov] Of course. We are patriotically-minded people. There is a German Bank, French Bank. Why should there not be a Russian Concern?

Today Ispolin has 22 companies under its umbrella and 37 representations in Russia, the CIS, and foreign countries.

[Question] Oleg Albertovich, do you count yourself among what is called the new Russians?

[Samoylov] First of all, simply Russians. As to new, actually we are the second wave.

The first wave are those who started with some foundation. Someone transferred a state enterprise in his name in time, or buildings, or received free credit. We, on the

other hand, started from scratch, with bare enthusiasm and enterprise. It took time to get on our feet. We worked in very difficult conditions, risking everything. And only now are we beginning to get ahead.

I am convinced that the future belongs to the second wave. They are people who came in too late to grab profitable and sweet positions in trade and the financial sphere. But on the other hand, this is good. Life itself turned us toward production and high technology. Some people are just beginning to contemplate it, while we are already working with it.

[Question] Where did you start in production?

[Samoylov] We worked with the Yakutalmaz Association, supplying them—and continue to supply them—with spare parts, and working with them in a broad range of areas. In turn, we were asked to evaluate a number of designs. Among them was a very promising one—a special additive that replaces lubricant oil.

[Question] RABOCHAYA TRIBUNA reported on this invention.

[Samoylov] Yes, I read it. They are continuing the experiments in Yakutia. The results are generally good, but there are still a number of unresolved problems.

Gradually we established contacts with a number of institutes; they got to know us; serious proposals started coming in. You are well aware that in many technologies we are ahead of the West. But the authors of this development work—scientific research institutes and design bureaus—subsist in poverty; they do not have enough money to pay for heating and communications, let alone salaries.

Ispolin AO [joint-stock company] experts carefully evaluate proposed designs. Some of them have already gone through production testing and been put into commercial production. I will mention, for instance, laser grinding of ball-bearings, air conditioners that operate without freon—practically all African countries have placed orders for them. In Tarusa we backed the production of synthetic emeralds and rubies that are used primarily in microelectronics.

[Question] What if after this interview is published you get flooded with proposals from RABOCHAYA TRIBUNA readers?

[Samoylov] They will be most welcome.

[Question] What type of development work are you interested in?

[Samoylov] A rather broad spectrum. But it has to be innovative, breakthrough technology. The air conditioners I mentioned are far superior to any foreign analogues. They are built by a domestically developed technology that was used in the defense industry. These air conditioners also will be installed on KamAZ trucks

intended for tropical countries. We put a system of filters in it, and you can fill them with any water, even from a puddle.

[Question] The second part of this question. As a rule, after such materials are published, the editors are contacted by directors of enterprises that have unused capacities, most often undergoing conversion. Are you interested in such contacts?

[Samoylov] Without question! Why build a new plant if the capacity already exists, as well as skilled cadres. Just take it and set up production.

Here is another design that was brought to me: an automatic nail-making machine. You put wire into it, punch in the program, and that is all! There are good heads in the country, but it hurts when foreigners buy up our talents for peanuts. They give you two or three trips a year and some pocket money. For our people this is crazy money, but the result is that developments and technologies stay abroad for nothing.

I Took Gaydar's Resignation in Stride. I Liked Ryzhkov's Program More, For All the Criticism Heaped on It

[Question] You invest money in production, applications of high technology. But many of your colleagues still see only trading and middleman activities as the source of quick and reliable income.

[Samoylov] To the best of my knowledge they are afraid to invest money in long-term projects because of political instability.

Nevertheless, I think that production should now be the foundation of Russian business. Politicians come and go, but industry remains. I hope that those in the Kremlin and the government will understand this and stop strangling producers with taxes.

I have to confess that I took Gaydar's resignation in stride. I see his strong points. But as a person involved in concrete entrepreneurial activities, I believe that for a head of government it is not enough to know theory, thorough as that knowledge may be.

[Question] This is the opinion of an entrepreneur. What is dear to you as a citizen and a person?

[Samoylov] I have already partially answered this question. I am against the kind of society that is ascending on our country, that we are trying to copy from the United States. It is a society oriented toward money, profit; an extremely cruel world. I am for the spirituality that has always existed in Russia.

I am a patriotically-minded person, although there are attempts now to slander and distort this notion. Let the jeers against patriotism remain on the conscience of people without kith or kin. Look at how America worships its flag, how an Englishman, German, or Frenchman loves his country. Why are Russians being

deprived of this right? There is no shame in being a son of the fatherland, which is the literal translation of the word "patriot" from French. On the contrary, one should be proud of it.

No, I do not accept everything new. I disagree with many things that are being done now. My credo is that we have to work hard. Very hard. So that Russia may prosper and ourselves along with it. Because prosperity of the state is tied directly with our prosperity.

I am not a cosmopolitan. I do not reject everything of the past just because it is declared old. Conscience does not grow old. Neither does truth, loyalty, and duty. I cannot agree with those who dismiss the entire history of my country, even the post-October one. Does it mean we have to start on a blank page again? Does it mean I have to also dismiss the life of my father, Albert Vasilyevich? But I saw for myself how hard he worked, earned three higher degrees. Everything that is best in me is from him.

Now the country has jumped into another extreme. I, on the other hand, am for forward motion. And in general I am an adherent of the plan Nikolay Ivanovich Ryzhkov was fighting to implement. I am a supporter of his programs, his actions, although they have been discredited to a large extent. Ryzhkov's program is much closer to my liking than Gaydar's program. Because the entire world has arrived at a regulated market instead of the bazaar we are being saddled with.

A country must choose its priorities during difficult times. On the other hand, one day we want to replace the roof over Luzhniki, the next day we begin to build an underground city under Manezh Square. As if there are no other concerns left, as if everything has been put right in Moscow, everybody lives well—there is enough housing for everyone, for instance.

What is the foundation of a society? The economy. Science. Culture, education, art. In the economy we are getting an alternating cold-and-hot water shower. Science and culture have been neglected altogether. One gets the impression that the next step is to leave the country without culture. A young actor gets paid 20,000 rubles [R]; how he survives is a mystery! The greatest actors are paid R80,000. This is simply cruel.

Russian Benefactors Are a Threat From the Past to the Future

[Question] But what can you do?

[Samoylov] Entrepreneurs can do a lot. Have you heard about icon painting on birch bark? I would not be surprised if you have not—this ancient type of art has all but disappeared thanks to the many years of "loving care" extended to the church and master icon painters. Until recently only three icons on birch bark have been known to exist, all of them in private collections. Now there are about 15 such icons in Russia: the secrets of the old masters have been found and are being revitalized, and the Ispolin Concern is financing this work.

Or take Khokhloma wood-painting. It is familiar to practically every citizen of Russia, but how many people know that entry into the free market did not work well for Khokhloma craftsmen? Learning of the problems this craft was experiencing, we decided to help the artists and organized our own studio. The result: a collection created in this studio has been invited to a Sotheby auction in England.

[Question] Well, since it has got to the point of Sotheby, this means that you will come out a winner, too.

[Samoylov] Excuse me, but I have not finished. Fortunately, not everything in this world is measured by the "profit or loss" formula. I, for instance, care a lot about the theater. This truly is an inalienable part of my life. I could not possibly live in any other country—if for no other reason than because, in my opinion, Russia is the only country where the theater as the highest achievement of human civilization is not yet dead. Of course, in this there is no notion of "profit or loss"—if I can help, I do. We finance the "Modern" theater, and have established awards for young actors.

In the past I dreamt of becoming a theatrical director. Friends sometimes joke: All right, since you did not get to be a theatrical director, you became a concern president—same thing, your directorial talent still comes through. Speaking seriously, I am indeed tied to the theater in an official way now: I have been elected vice president of the Moscow Charitable Actors Fund, where I came with my program "Young Benefactors for Young Actors."

[Question] There is a book "Russian Benefactors" on your desk. Is this the example you are trying to emulate?

[Samoylov] If you wish. There is a man I would like to emulate spiritually—Savva Morozov. Unfortunately, little is known about him in Russia, mainly at the level of school textbooks. He was a great man. Many people know that he built the Moscow Art Theater, that he helped actors. But practically nobody knows that he helped science, established scholarships in St. Petersburg University. That he applied the latest inventions in the theater and was himself an inventor.

Only Very Rich People Can Afford Two Days Off a Week

[Samoylov] I understand that to come close to the image of this man, one has to work very hard.

[Question] Very hard—how hard is that? Today is Saturday, but your colleagues are at work.

[Samoylov] Good observation—for us Saturday is a regular work day. Once a director of a South Korean

firm—our partner—remarked with certain sarcasm that Russians must be very rich people if they can afford two days off a week. We had to explain to him that workers in our concern, for instance, make do with only one day off. Generally speaking, we work as much as is needed.

The state has shrugged off science and culture. All right, but at least allow entrepreneurs to take over. Provide incentives, as in the United States. They have zillions of different foundations. If you use some of your money for charitable activities, the same amount is exempt from taxation. If a farmer invests more than 40 percent of his income in new technologies, he is exempt from taxes altogether. This is a policy.

We, on the other hand... I understand, they are fighting for those cozy jobs and have no time to think of other things. So they measure everyone with the same yardstick and issue a regulation. It does not matter what you do—trade or production.

Because there are too many nonprofessionals in the upper echelons. Maybe they knew how to do something before, in the rallies, but in the new situation they cannot find their bearings. The situation will change when new people rise to the top—those who are 30 to 40 today.

[Question] The second wave?

[Samoylov] Yes. The richest people are those who are in trade, but they were not the ones who built America. America was built by Ford, Chrysler, General Motors... We are not yet as strong as the first wave, those who have made millions, billions of dollars. But to the extent of our ability we are helping to rebuild Russia.

[Question] What do you value in life?

[Samoylov] Books. I like reading the classics most. My favorite writers are Dreiser and Dostoyevskiy. Whenever I have free time, I read. I do not spend time at health resorts, do not travel to the Canary Islands for recreation, and do not take vacations in general. I do not have a dacha or a foreign-made car. Of course, we are not poor, but neither are we super-rich.

[Question] What things do you not accept?

[Samoylov] Meanness and betrayal.

[Question] Have you had encounters with them?

[Samoylov] Both in life and in business. Generally, I am a gentle, kind man, even sentimental. I have been cheated many times, and many times had to start from scratch.

[Question] What are you counting on?

[Samoylov] The common sense of the people.

[Question] We wish you success.

Print Media Sources Taking to Airwaves

944F0308A Moscow IZVESTIYA in Russian
28 Jan 93 p 9

[Article by IZVESTIYA writer Marina Denisova:
"Newspapers Appear on Television"]

[Text] The desire of Yegor Yakovlev's OBSHCAYA GAZETA to have their own television air time has been fulfilled. On Wednesday, 26 January, viewers of Rossiya Channel were able to see a program presented by the new television company Oblik—"Off Guard, or Newspaper Stories." The cofounders of Oblik along with OBSHCAYA GAZETA were the independent television company REN-TV and Tatyana Menshikova (past director of the Politika Studio in Ostankino).

The information base for the new television program is made up of published and unpublished materials (from investigations to "Love Story") of journalists from various newspapers: NOVAYA YEZHEDNEVNAYA, MOSKOVSKIYE NOVOSTI, IZVESTIYA, LITERATURNAYA GAZETA, OBSHCAYA GAZETA, and others. This certainly does not mean that the journalists will be running with microphones and cameras in hand after heroes for their articles. "This absolutely does not mean that 'Newspaper Stories' will be a symbiosis of commentary and pathos," says Tatyana Menshikova. "And this program does not intend to exist as a television version of OBSHCAYA GAZETA, although we do not deny that we subscribe to its ideology. In general the system of constraints has been thoroughly developed: No coverage of catastrophes on the screen, no direct assessments of events and phenomena, no interviews with politicians, not a lot of talking during the sequence—everyone is tired of this already."

In terms of form "Newspaper Stories" will be four 10-minute films. They will be films because the program is made by movie makers—die-hards of domestic television documentation like director Aleksandr Orkin and the young people from the VGIK [All-Union State Institute of Cinematography].

"Newspaper Stories" is fundamentally positive in terms of direction and intends to actively advocate nonviolence in the best traditions of pacifism.

The example of OBSHCAYA GAZETA is being followed by other publications: CHASTNAYA ZHIZN, which is known for its predilection for the spicy and the racy, along with the independent studio Antreprima HCD on a parity basis will begin to film the half-hour, absolutely apolitical program "Television 'Private Life'" which will air in Moscow once every two weeks starting on 13 February. The program will be a television version of the newspaper, and many rubrics of "Private Life" ("He and She," "Candid Interview," "C'est la Vie") will begin their television life soon.

NTV Makes 'Successful Channel 4 Debut

944F0308B Moscow OBSHCAYA GAZETA
in Russian No 4, 28 Jan 94 p 13

[Article by Irina Petrovskaya: "Premiere. NTV Begins and...Something About the Attitude Toward Traditions"]

[Text] The independent company NTV went on the air on Channel 4 on 17 January. And a week later, on 25 January, Andrey Karaulov, was speaking on "Moments of Truth" with Mikhail Poltoranin.

Mikhail Nikiforovich was in a very good mood and this mood changed only a couple of times—when the conversation turned to NTV. Karaulov was even surprised—why has your expression changed? What, actually, is so bad about Mr. Gusinskiy, with whose money Malashenko, Dobrodeyev, and Kiselev created NTV?

"I have no complaints against either Malashenko or Gusinskiy," answered Poltoranin. "If I had extra money I, too, would indulge in acquiring mass media." But the main danger, in Poltoranin's opinion, in the appearance of nonstate mass media is that "in this bacchanalia" a new language of the press is being introduced into practice—"camp Hebrew: a combustible mixture of Russophobia, hatred for traditions, lies, and contempt for human dignity...."

We shall leave on the conscience of the interviewee the vile nationalistic odor that emanates from his statements. Russophobia, from all appearances, means hatred for Mr. Poltoranin personally, which is not concealed by NTV (and not only NTV) journalists. And hatred for traditions—this is obviously the aspiration of Messrs. Gusinskiy, Malashenko, and people like them to crush the traditional, many-year state monopoly on the mass media and above all on the most powerful ones—electronic, that is, television.

Now that this tradition is finally if not destroyed at least violated, one can understand the monstrous resistance that had to be overcome against the people who were encroaching on the "holy," who intended to create a television company that is independent of the state.

Sagalayev's Channel 6 does not count. He did not present any special threat to the powers that be because for a long time he was, and essentially still is today, a kind of broadcast booth delivering films and foreign news to our screens.

NTV is another matter. Its initiators openly declared the need for the presence on the television screen of information that is politically neutral and free of state supervision. And, naturally, they promised to create this since the state was generous enough to give them one of its channels.

The wave of articles written against the "power of the moneybags who want to take state TV into their dirty hands" flooded the newspapers last autumn. Television

is costly, the defenders of NTV said in response. If the state does not have the possibility of supporting its own TV, why not turn part of it over (sell) to those who do have these possibilities? The "opponents" of nonstate TV accused its "defenders" of selling out to "Moskva." That is why they are supporting those who want to subvert statehood.

NTV's debut on the St. Petersburg channel confirmed the worst fears of the "enemies": Journalists of the NTV information programs did not agitate, did not propagan-

NTV information programs increased from 5 to 10 percent during the week. At the same time the program "Today" is retaining its audience on the St. Petersburg channel, which shows the force of habit. The audience for Leonid Parfenov's program of nonpolitical news, "The Other Day," increased sharply: While on the St. Petersburg channel during all the time of its existence it never exceeded 5 percent, last Saturday it exactly doubled. And another 5 percent watched "The Other Day" on Channel 5. The program "Results" on Sundays garnered a total of 25 percent of the audience (17 percent on

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**ROSSIYSKAYA GAZETA Former Editor
Interviewed**

944F0308C Moscow NEZAVISIMAYA GAZETA
in Russian 29 Jan 94 p 6

[Interview with Valentin Logunov, former editor in chief
of ROSSIYSKAYA GAZETA, by Pavel Koltsov; place
and date not given: "Valentin Logunov: 'We Did Not
Betray the Ideas of the Interregional Deputy Group'"]

[Text] The former editor in chief of ROSSIYSKAYA

white robes when they came to power? Was it not Popov
and Yeltsin, the former cochairmen of the IDG? Was it
not Burbulis and Poltoranin, former members of the
coordinating council of the IDG? Time and the actions
of these people showed that the main thing for them was
power for its own sake.

Even now I think that the Supreme Soviet, with all of its
shortcomings, was a most influential and responsible
political force, one capable of opposing the antinational
policy of the Yeltsin team. And this political, I repeat,

THE INTERVIEW
AFTER THE FACT

id. His name that is held in a common sense
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and from the standpoint of past authorities—the State
Committee for the State of Emergency—and present
ones—President Yeltsin—it turned out to be a politically
dangerous publication for both.

[Koltsov] You said that the newspaper had made a
marked shift. Does this mean that the editor in chief also

changed—a year—what are you talking about? Approx-
imately a year later they were shooting at parliament.

Of course Khasbulatov had many shortcomings. It seems
to me that he had a poor sense of people's psychology.
He did not listen enough to others' opinions. He was
trusting and untrusting at the same time, depending on

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[Article by Anna Smirnova, "Russia's Energy System
Will Be Partially Denationalized"]

[Text] The RAO "YeES Rossii" (Russian Joint-Stock
Company for Power and Electrification) is unique in the
world in terms of the scale and unity of its energy
complex, which encompasses Russia's entire electrical
infrastructure. "YeES Rossii" includes about 70

At the press conference held yesterday by Anatoly
Baranovskiy, vice president of RAO "YeES Rossii," the
presidential edict on creating this AO [joint-stock com-
pany] with the controlling participation of the govern-
ment was assessed as a logical step directed at achieving
the unity and security of Russia's energy system. In
accordance with the general ideology of reforming Rus-

and October and your dismissal from your positions—was all this not done to get back at you personally?

[Logunov] Well that was probably not the only thing and not the biggest thing that provoked them to take such measures. You see, by that time ROSSIYSKAYA GAZETA really had become an influential publication both in Russia and abroad. The newspaper adequately reflected the Supreme Soviet's position and we discussed the political situation in the regions in detail and objectively. And, well, could the authorities who decided to

cannot but understand how unceremoniously it has dealt with the readers but apparently it wants very badly to get its hands on this tidbit.

The second point is related to the interests and rights of the journalists of ROSSIYSKAYA GAZETA. About 40 journalists have left it in three months—for political reasons. They could not and did not want to change their political convictions. So I wish to ask the "fathers of Russian democracy": Is this your democracy when a journalist does not have a chance to perform his professional duty, to write in his newspaper what he thinks is

and the other, and it is clear that the first is more likely to be a more serious and more serious one.

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The twenty-fourth is a more serious one. It is a more serious one, and it is a more serious one.

ROSSIYSKAYA GAZETA over to the State Duma?

[Logunov] I am convinced that ROSSIYSKAYA GAZETA readers do not want this. The circulation of newspapers depends to a certain degree on their political biases. The reader of one newspaper or another is the person who sees in the newspaper he selects a confirmation of his own

RUSSIAN AND-DEMOCRAT COMMUNISM

04401000 Moscow NEZAVISIMAYA GAZETA
in Russian 28 Jan 94 p 8

[Article by Aleksandr Minkin "Mail Criminal Candor"]

[Text] On Wednesday evening a package containing the

END OF

first hand. The creditor did not transfer money to the newspaper in time to pay for printing services, dispatching the publication, and payment for paper.

It is difficult not to associate this kind of "selective approach" with the fact that the ROSSIYSKIYE VESTI journalistic collective itself decided at the end of last year to become the founder of its own newspaper, breaking off relations with the government, which was not fulfilling its duties as the founder.

The policy of the government and the establishment of Russian statehood nevertheless remain one of the main

questionable definition as applied to the homeless—account for 72 percent of its clients.

The state that once proclaimed the slogan "Everything in the name of the people, everything for the good of the people" has now found itself unable to pay even minimal attention to vagrants. In 1991 Russia repealed the article in the criminal code that stipulated a penalty for vagrancy and begging. A democratic measure at first glance—each person is free to live the lifestyle he desires—in reality it only worsened the situation. Having stopped persecuting those who by all laws of humanity need support rather than punishment, it has not offered

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hundreds from homelessness on how many of them are brought annually to the only holding facility in the city, on Novoslobodskaya Street. For almost five years now this number has not dropped below 1,300. This is determined, however, not at all by the number of Moscow homeless but first and foremost by the capacity of the holding facility itself, which is precisely this figure. An ordinary Moscow citizen, however, can draw only one conclusion from his own observations: the number of beggars and homeless on Moscow streets and underground crossings is growing steadily from year to year. It is especially noticeable in the winter. In the summer, free to move away from central heating pipes and unlocked basements, the inhabitants of the capital city's foul places fan out to Russian nooks and crannies, only to return a few months later, in somewhat better shape, to the capital for the winter. In that same Moscow holding facility out-of-towners—a

order of the President of Russia No. 181) "On Measures of Prevention of Vagrancy and Begging" was issued; a month later it was duplicated by a Moscow Government decree of the same name. These documents could have come out much earlier, but the fathers of the nation, busy with important state affairs, fly on airplanes and almost never happen to pass through a railway station, and one cannot really see from the window of a government limousine the horror that is taking place today in underground crossings and around subway stations. However, whether even these belated directives will be carried out is unclear. According to the Government of Moscow decree, two branches of the holding facility, each with the capacity to accommodate 80-100 persons, are to be opened in Moscow before 1 March 1994. Despite the fact that the deadline is approaching, however, the addresses of the new institutions that are

supposed to open their doors to the Moscow homeless are still not known, and facilities have not been allocated for them. Not everything has been worked out regarding the creation of a system of social support for the current inhabitants of the streets either.

The president's decree envisages the function of the militia being limited to identifying, detaining, and bringing those engaged in vagrancy and begging to centers of social rehabilitation. There are no such centers as yet, and it is envisaged setting them up on the basis of the same holding facilities. The latter circumstance causes the greatest doubts among MVD (Ministry of Internal Affairs) specialists: it is unlikely that social protection

[Text] Panadol, fever-reducing tablets—3,000 rubles [R], Neo-angin for the throat—6,000, Galazolin for a cold—1,000, the cough mixture Bronkholitin—2,500. Such are the prices for medicines for the common cold in pharmacies of the capital today.

But what about people with more serious maladies? Where are they to get this money during the times of this wild market and the merciless prices of medicines? After all, even the most ordinary No-Shpa now costs R3,000-4,000, the stomach preparation Festal—28,000, Nootropil for improving the memory—26,000, Moditen, a preparation with a psychotropic effect—R40,000, and the antitumor

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...drinking moonshine, and sleeping on street cobblestones. Homeless Russia, the Russia of slums and gateways, of trash containers and people dying at rail stations, has already become the mirror of the Russia of limousines, casinos, and gold Rolexes. Both were born in front of our very eyes. But which one should we call the new Russia?

'Shrewd Operators' Speculate on Medication Shortages

944E0499A Moscow ROSSIYSKAYA GAZETA
in Russian 18 Feb 94 p 2

[Article by Inna Rozanova "A Bitter Mixture from the Barbaric Market: How Hucksters Do Business in Medicines"]

...preparations to the population at no more than 1.5 times the wholesale factory price of the producer.

It is only possible to verify the correctness of the price in each specific case. It sometimes happens that at neighboring pharmacies the prices for the same medicine differ severalfold, but there can be quite legitimate reasons for this. After all, although domestic producers also work "under scrutiny" of the state, with a restriction on profitability, they still purchase raw materials at free prices, including through exchanges. Therefore batches of one and the same medicine from one and the same plant, even if they are produced only a couple of days apart, can have completely different factory wholesale prices.

According to the law the penalty for exceeding the trade markup is paid by the pharmacy—the last link in the commercial chain. It most frequently happens that the

the number of people in the production process. This is a good thing, as long as people don't suffer. What awaits the plant here?

[Dobyndo] Yes, the fewer people employed in production, the more improved the technology. We will have no superfluous people. It is enough to remember that the AVVA program requires a huge number of specialists. This means we must fight resolutely to cut back the number of workers in the shops.

Where do we see reserves? In the first place, welding. Today, we have about 800 people working in the shop producing the "Six," but for the same program for the "Eight" and the "Ten" we have half the number of people working in the shop. True, there are more mechanics here, and very highly skilled ones. In the new

as a whole. It is simply senseless to lose what we have invested now. On the contrary, we are striving to help our suppliers, we are now tracing the entire chain of suppliers from the ore to the finished item which comes to us, in order to ensure uninterrupted supply. It is a very difficult matter, but we are forced to deal with it.

At the same time, of course, we are gradually developing a network of suppliers, and are also using defense enterprises for this. We have set up Lada-Konversiya, a joint venture, with headquarters in Moscow, which deals with working out a program of interaction. Possibly, in time, we will revise something somewhere, but it is simply impossible and purposeless to change mass supply immediately. After all, cooperation unites not only our economy, but also our people, so that supply volumes,

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[Dobyndo] It is not that easy to change suppliers today, if you feel like it. Those same bundles of electric wires from Kamenets-Podolskiy. The motor vehicle plant's currency funds were invested there, and all the cooperation ensuring the output of these bundles is directed there today. What does it mean to organize this type of production all over again today, let us say, in Russia? A lot of time and capital. Is it necessary? International cooperation is branching out all over the world. I do not think that we have to take a different path. Our plant always had the policy: develop our own suppliers, in order to raise the level of the motor vehicle

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[Bystrov] The problem of supplies of completing items is in general a sore point for any plant. As far as we can see, mass losses of suppliers are taking place these days. Won't you also have to lose them or change them?

[Dobyndo] It is not that easy to change suppliers today, even if you feel like it. Those same bundles of electric wires from Kamenets-Podolskiy. The motor vehicle plant's currency funds were invested there, and all the cooperation ensuring the output of these bundles is directed there today. What does it mean to organize this type of production all over again today, let us say, in Russia? A lot of time and capital. Is it necessary? International cooperation is branching out all over the world. I do not think that we have to take a different path. Our plant always had the policy: develop our own suppliers, in order to raise the level of the motor vehicle

are now after contacts, on their initiative, because they can see: this is precisely the form of ownership which the AVVA will have, which guarantees the investment of capital. There is a military-industrial complex with its own assets, there is the plant with its own assets... This is an absolutely denationalized structure.

[Bystrov] Everyone hopes that the All-Russian Motor Vehicle Alliance will, all the same, produce vehicles that the people can afford. There are few people who can afford yours at this time.

[Dobyndo] Inflation will do its job, and our motor vehicle will again become affordable for the buyer. Even before, however, our vehicle was not affordable for the population masses.

[Bystrov] Even recently, though, almost every worker would put his name down on the waiting list for a Zhigul.

[Dobyndo] Yes, he put his name down because they were selling in a different way. At that time a motor vehicle, under the conditions of its scarcity, had two prices: the state price and the market price. The latter was sometimes three-fold higher. One out of a thousand, however, had the chance of buying a new vehicle at the state price. Even at the state price, many people acquired a car on borrowed money, to part with their purchase at a profit later, thereby putting his material situation in order.

In general, however, we always delayed in establishing prices for our motor vehicle, so that its wholesale factory price would constantly be lower than the market price. Only last year did we anticipate the market with respect to prices and we therefore slowed down sales. The plant is not free to dictate prices, though. There is a lower limit which production expenses restrict, and there is an

taxes and levies, they have hardly enough for minimal social needs. Consequently, the question concerns the sources for financing these outlays. If the government—the main buyer of our product—gives us an advance payment, the enterprises will function and Russia will have gold. If it does not, it will have nothing.

Last year the Komdragmet [Committee on Precious Metals and Precious Stones] understood this clear dependence, it financed us on time, and the results are apparent. The association cut back extraction of the metal by 8 percent when there was a downturn of 20 and 30 percent at the Bilibino and Polyarnyy Mining and Concentration Combines, which had left the "Severovostokzoloto" organization and did not receive the proper support. But now there has been no advance payment, and stripping has already decreased by 10

ISSUE 11/27/94

Interview with Aleksandr Menshov, chief engineer of "Severovostokzoloto" Association, by DIFTAC correspondent Vladimir Andriyenko. "The Far East Golden Era."

Throughout 9—the placer season, activity in the mining industry is in its peak, the height of the hot season of work.

As with all other, we used to make 3-4 billion rubles in 90, about one-third of all the production. With the severe drop in prices for the gold, silver and platinum, the mining projects lost profitability but remained alive.

Some rough signs have appeared in the last 90 days, that the prices are due to be justified by the fact that the price of gold is rising. The price of silver is also rising, but the price of platinum is still low. The price of gold is still low, but the price of silver is rising.

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at the placer season. The rest of the year we work on the stripping rock, we bring gold-bearing sands up to the surface from the pits, and we repair the equipment.

But since the money for the metal is received only after it is sold, all this must be done on credit. This is where the stumbling block is.

The miners themselves are not in a position to finance the expenditures for future periods, after paying all the

taxes and levies, they have hardly enough for minimal social needs. Consequently, the question concerns the sources for financing these outlays. If the government—the main buyer of our product—gives us an advance payment, the enterprises will function and Russia will have gold. If it does not, it will have nothing.

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ISSUE 11/27/94

As with all other, we used to make 3-4 billion rubles in 90, about one-third of all the production. With the severe drop in prices for the gold, silver and platinum, the mining projects lost profitability but remained alive.

Some rough signs have appeared in the last 90 days, that the prices are due to be justified by the fact that the price of gold is rising. The price of silver is also rising, but the price of platinum is still low. The price of gold is still low, but the price of silver is rising.

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at the placer season. The rest of the year we work on the stripping rock, we bring gold-bearing sands up to the surface from the pits, and we repair the equipment.

But since the money for the metal is received only after it is sold, all this must be done on credit. This is where the stumbling block is.

The miners themselves are not in a position to finance the expenditures for future periods, after paying all the

Interview with Aleksandr Menshov, chief engineer of the "Severovostokzoloto" Association, with this question.

[Menshov] We cannot speak about normalization of the mining industry yet. Gold mining enterprises in the Far North can produce output only during the summer, during the placer season. The rest of the year we get ready for the season: we work the stripping rock, we bring gold-bearing sands up to the surface from the pits, and we repair the equipment.

But since the money for the metal is received only after it is sold, all this must be done on credit. This is where the stumbling block is.

The miners themselves are not in a position to finance the expenditures for future periods, after paying all the

It seems profitable, especially as the commercial banks are ready and willing to finance the gold miners for the remainder of our output. But in reality, there is no benefit here. A huge profit is simply slipping into private hands.

Think about it: we are selling gold at R15,000 per gram—at its current world price. But the price of a gram is already more than R50,000 in the jewelry stores. And this difference will exist for quite a long period of time. At present, two-thirds of the market value of gold items is supplementing the Russian budget, but if the decree you mentioned is issued, this will begin filling the pockets of the businessmen.

I think that concern for the budget should force the government to reject this undertaking and return to the previous system of financing and settlements. But this must be done more quickly, for time is more valuable than money now.

[Androsenko] It is no secret that the "Severovostokzoloto" enterprises are operating mainly at placer deposits. We cannot speak about increasing the proportion of bedrock deposits because of the high capital-output ratio. The association was not able to offer anything even to develop the "Kubaka" with its 100 metric tons of easily extracted gold, and this tidbit went to a Russian-American joint venture. So you are destined to "fade away" at the placers to the extent that they are depleted?

[Menshov] For the first time last year, we extracted more metal than we increased reserves during the entire gold season in the Kolyma. This was the result of the breakdown in geological work, not the exhaustion of natural resources. But we have enough, even of the reserves that have already been explored and protected, for a good 20 to 25 years. Of course, the quality of the placers is

because of the reassessment of fixed capital announced by the government. The rates of the tax on profit are also being increased. Production cost will rise sharply, for the new tax system will force our suppliers to raise the price of their products.

There is one more negative factor. It is no secret to economists that the Ministry of Finance has been supporting the understated exchange rate of the dollar until very recently. I do not know in whose interests this is, but it is clearly not in the interests of the domestic producer. Let us say that transactions with us for gold are conducted at the world price on the basis of such a regulated exchange rate. But at the same time, we are purchasing petroleum products, materials, and equipment at prices which are twice the world prices. Where is the logic? After all, this is not a struggle to normalize the

Severovostokzoloto

Severovostokzoloto

Severovostokzoloto

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After all, a joint venture undertook to develop the deposit only because the American side was able to obtain normal, civilized loans at 6 percent interest for the program. But by dealing with Russian commercial sharks, the SP [joint venture] would be bankrupt right away. After all, this involves deposits which are super-profitable by world standards. But what can we say about our placers then?

But after all, the farther we go, the worse it is. Thus far over 50 percent of the product's value has been collected in the form of taxes, a little over 37 percent has made up the production cost, 10 percent has gone to maintain the social infrastructure, and 1.5 to 2 percent has been used to assist those with low incomes and pensioners "on the mainland," to pay for containers, and so forth.

In 1994, according to our calculations, the tax on property alone will be increased by at least 24 times as much

as us. The solution is quite simple: one cannot survive alone in the North.

"Severovostokzoloto" has maintained ties with its suppliers and is working with them without middlemen, which is significantly cheaper and faster. By combining the enterprises' funds, we can deliver everything needed in time and thereby ensure uninterrupted production. How can an individual GOK pay a billion rubles in advance for a steamship carrying explosives? But together we are finding this money. We have paid in full for the tankers coming to Magadan.

They attempt to accuse us of monopolism here, because we use this fuel ourselves and do not share it with anyone—but after all, these are normal market relationships. Why should we supply others to the detriment of our placers and artels? It is hard for them now, but after all, this is because they left us at one time in search of an easier life.

There is none in the North, and there cannot be under extreme natural and climatic conditions. Alas, it is not to no purpose that popular wisdom divides those who learn from others' mistakes and those who prefer to make their own. We are not gloating: what pleasure can there be here when everything that has been built up is being ruined, and when our economic space is being removed? And we are always prepared to unite on sensible principles to survive together.

[Androsenko] Over the past 3 years the territory has lost one-quarter of its population. People are leaving because they are tired of the North, the general disorganization, the poor supply, and most importantly, the lack of confidence in the future, the lack of prospects. But how do the miners feel?

[Menshov] Like everyone else. They are hoping that the

But even under these difficult conditions a great deal was accomplished. Forty-one state scientific-technical programs were formulated and are being realized. Proposals for realizing 117 priority technologies and new types of output within the framework of the state structural policy were prepared. Thirty-three state scientific centers received financial support, and that made it possible to preserve the leading scientific schools in the high technology fields.

For the first time and as one of the first among the republics of the former Union, Russia became a full-fledged member in the European technological program "Eureka." An intergovernmental agreement on scientific-technical cooperation with the United States was concluded. Russia's international scientific-technical cooperation made it possible to continue many scientific research projects in the field of high-energy physics, the

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SCIENCE MINISTER ON STATE POLICY

944F0344A Moscow ROSSIYSKAYA GAZETA
in Russian 18 Feb 94 p 3

[Report by Yuriy Konorov on round table meeting conducted at the Ministry and Technical Policy: "Will We Have Our Own Newtons?"]

[Text] A round table meeting was held at the Ministry of Science and Technical Policy.

The head of the Ministry, Boris Saltykov, who opened the meeting, emphasized that preserving the best part of Russia's scientific-technical potential in conditions of the economic slump is the main goal of state policy in the sphere of science and technology.

Boris Saltykov noted bitterly that because of the shortage of finances, all last year scientists had to think more about preserving science than developing it.

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The lack of hard currency is retarding and reducing the scope of international cooperation.

Oil, Gas Industry Views Economic Plight

944E0447A Moscow TRUD in Russian 4 Feb 94 Night Edition p 1

[Article by Fedor Yemchenko: "Resuscitation After the Shock?"]

[Text] Replacement of certain of the actors in the government has elicited an ambiguous reaction from those who specialize in predictions. Some see in this a "recoil" from market reforms, others—the beginning of the next period of "shock-free therapy." Everyone assesses differently the statement of Prime Minister V. Chernomyrdin to the effect that the state must pay back its debts. Just think—the deed (entirely natural, even obligatory) has

The department head believes that the government should implement a selective state policy of support and introduce protective export duties on foreign machinebuilding output.

USSR Machinebuilding Industry Reported

IN INVESTMENTS, Russia is using resources

The payments system is one of the reasons for the difficult economic situation. Serafim Afonin, the chairman of Roskommetallurgii, is convinced that the present one is wrong. Under market conditions, no one should have privileges. But electric power engineering and machinebuilding are taking away the money anyway.

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1. The main task of the machinebuilding industry is to ensure the production of high-quality products for the needs of the country and for export.

2. The machinebuilding industry is one of the leading industries of the country. It is responsible for the production of a wide range of products, from simple mechanical parts to complex machines and equipment.

3. The machinebuilding industry is a key sector of the national economy.

4. The machinebuilding industry is a major source of employment.

5. The machinebuilding industry is a major contributor to the country's foreign trade.

6. The machinebuilding industry is a major source of technological progress.

7. The machinebuilding industry is a major source of innovation and development.

8. The machinebuilding industry is a major source of economic growth.

9. The machinebuilding industry is a major source of social progress.

10. The machinebuilding industry is a major source of cultural progress.

11. The machinebuilding industry is a major source of environmental progress.

12. The machinebuilding industry is a major source of scientific progress.

13. The machinebuilding industry is a major source of artistic progress.

14. The machinebuilding industry is a major source of spiritual progress.

15. The machinebuilding industry is a major source of physical progress.

16. The machinebuilding industry is a major source of intellectual progress.

17. The machinebuilding industry is a major source of emotional progress.

18. The machinebuilding industry is a major source of volitional progress.

19. The machinebuilding industry is a major source of moral progress.

20. The machinebuilding industry is a major source of aesthetic progress.

21. The machinebuilding industry is a major source of scientific progress.

Savings in resources		1985-2000	Period
1. Savings in physical resources	trillions of rubles	27.433	4.704
2. Savings in energy resources	millions of tons of standard fuel per year	18.1	4.2
3. Reduction of employees	—	140,000	80,000
4. Reduction of emissions into the atmosphere	metric tons	2.2 million	900,000
5. Capital investment	trillions of rubles	40.0100	24.070
including capital investment in foreign currency	billions of dollars	10.847	5.720
6. Total annual savings	trillions of rubles	4.0191	3.0273
7. Full recovery of program's measures	years	0.78	7.00

[Article by Anna Siminova. Russia's Power System Will Be Partially Denationalized]

[Text] The RAO "YeES Rossii" (Russian Joint-Stock Company for Power and Electrification) is unique in the world in terms of the scale and unity of its energy complex, which encompasses Russia's entire electrical

At the press conference held yesterday by Anatoliy Baranovskiy, vice president of RAO "YeES Rossii," the presidential edict on creating this AO [joint-stock company] with the controlling participation of the government was assessed as a logical step directed at achieving the unity and security of Russia's energy system. In accordance with the general ideology of reforming Rus-

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28 APR 1974

Moscow citizen, however, can draw only conclusion from his own observations: the number of beggars and homeless on Moscow streets and underground crossings is growing steadily from year to year. It is especially noticeable in the winter. In the summer, free to move away from central heating pipes and unlocked basements, the inhabitants of the capital city's final places fan out to Russian parks and cemeteries, only to return a few months later, in somewhat better shape, to the capital for the winter. In that same Moscow holding facility out-of-towners—a

and one cannot really see from the window of a government limousine the horror that is taking place today in underground crossings and around subway stations. However, whether even these belated directives will be carried out is unclear. According to the Government of Moscow decree, two branches of the holding facility, each with the capacity to accommodate 80-100 persons, are to be opened in Moscow before 1 March 1994. Despite the fact that the deadline is approaching, however, the addresses of the new institutions that are

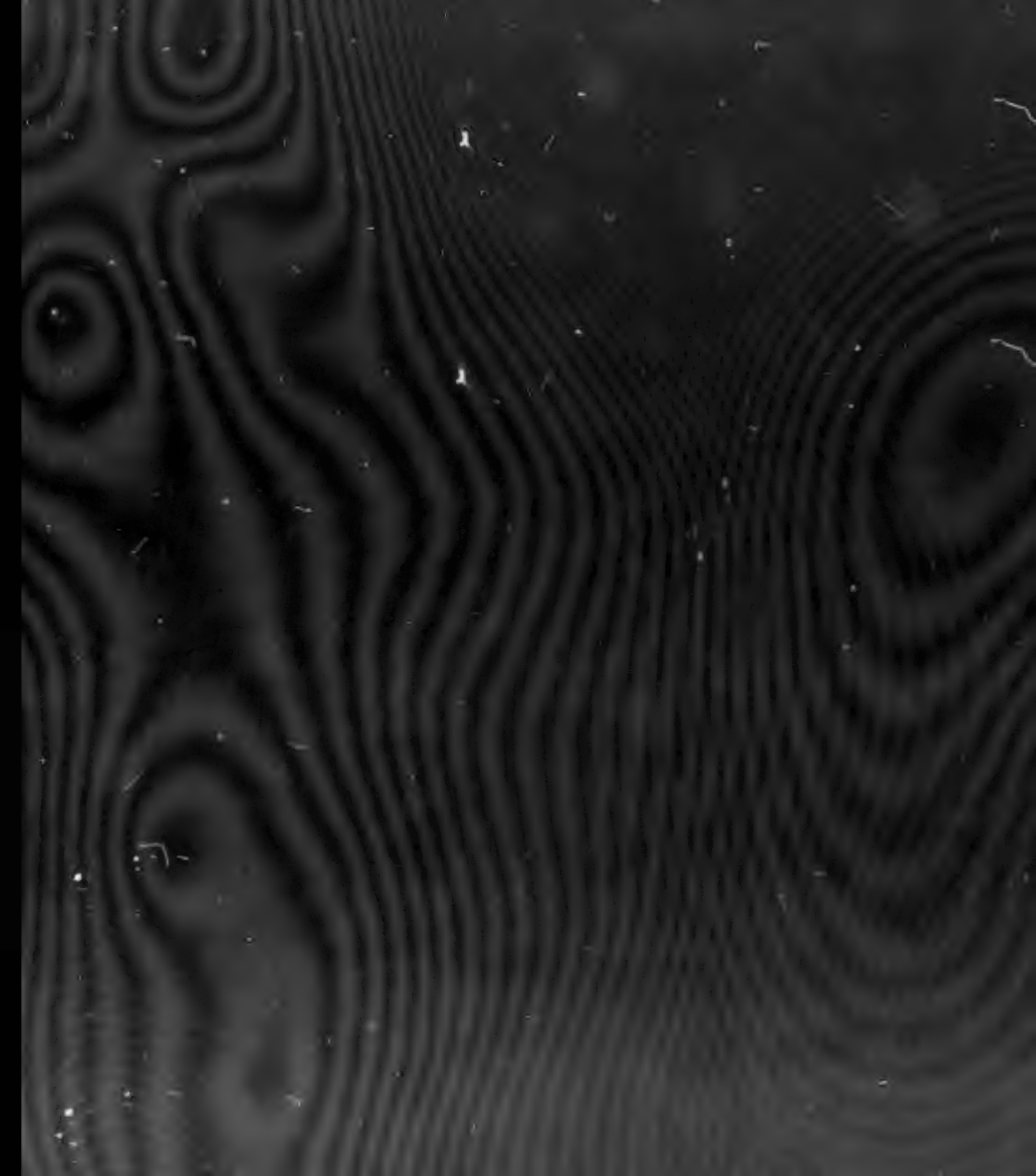
'Shrewd Operators' Speculate on Medication Shortages

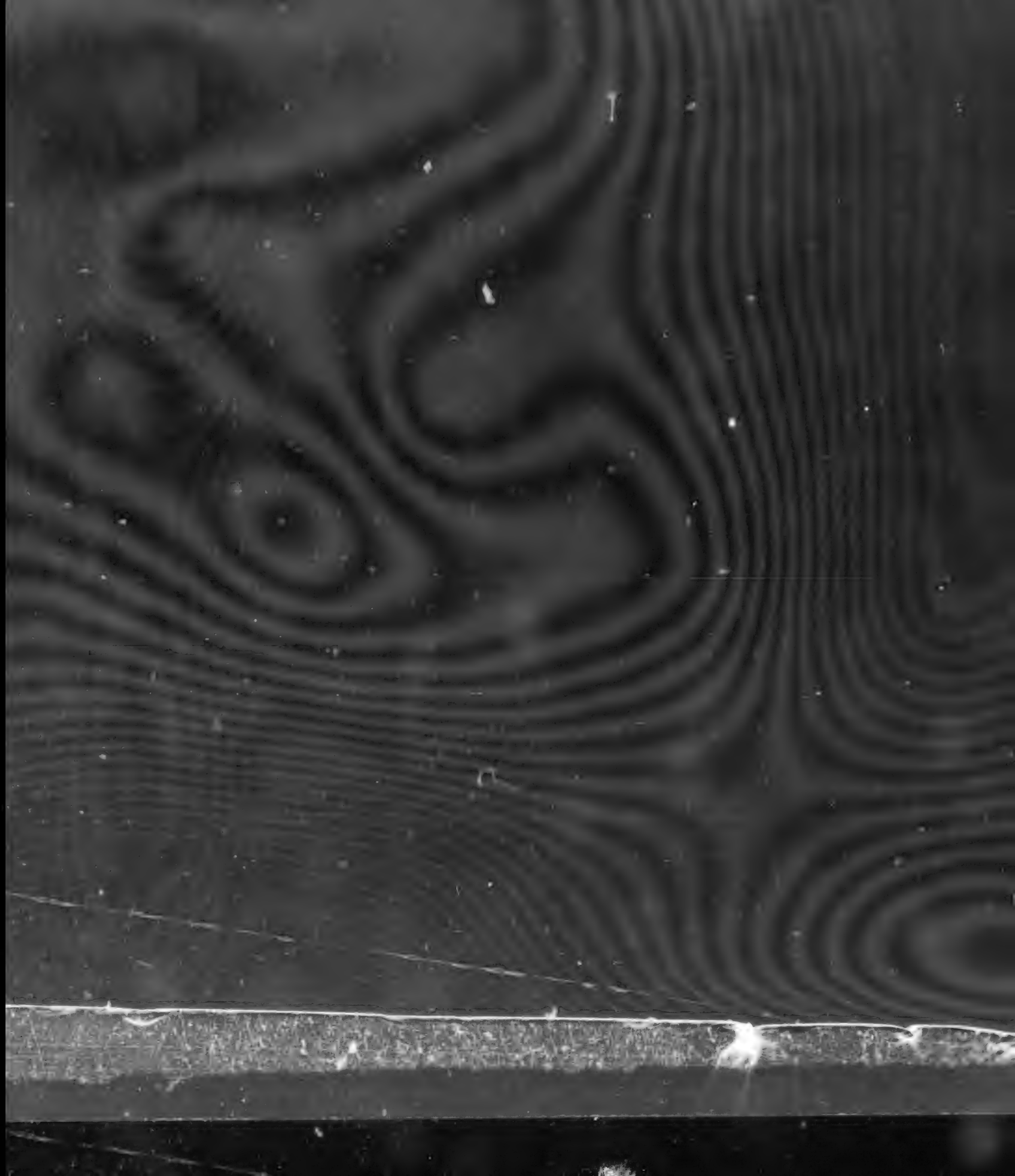
944E04994 Moscow RUSSIYSKAYA GAZETA
in Russian 18 Feb 94 p 2

[Article by Irena Rozanova: "A Bitter Mixture of Barbaric Market: How Hucksters Do Business with Medicines"]

6. Total printed circuit	millions of dollars	6.000	1.011
Cost of printing of program's materials	print	6.18	1.00







is costly, the defenders of NTV said in response. If the state does not have the possibility of supporting its own TV, why not turn part of it over (sell) to those who do have these possibilities? The "opponents" of nonstate TV accused its "defenders" of selling out to "Most." That is why they are supporting those who want to subvert statehood.

NTV's debut on the St. Petersburg channel confirmed the worst fears of the "enemies": Journalists of the NTV information programs did not agitate, did not propagandize, but efficiently informed the viewers about what had happened in the country and the world.

It was the simplest thing in the world to silence the uncontrolled television company—refuse to give it air time. An attempt was made to do this: Even before the final version of the president's edict on transferring Channel 4 to NTV took effect, NTV leaders received a fax from St. Petersburg. A certain Petrenko (Kurkova's deputy) informed his colleagues: The Ministry of Information and the Press is cutting budget allocations for the St. Petersburg channel because a commercial television company is broadcasting on its frequencies and therefore the channel's leaders are dissolving the agreement with NTV effective 1 April 1994.

Thank God the situation changed. Every cloud has a silver lining. State TV made a complete mess of the elections. The fools stayed with the fools. Apparently there was somebody intelligent who was able to convince the president to sign the edict that had been canceled.

The most influential opponent of destatized TV, Mr. Poltoranin, was disgraced and dismissed, but not defeated. The fight with the "independents" could be continued at any moment. The president's edict, incidentally, left a convenient loophole that makes it possible to restore the status quo if he wishes—Channel 4 is granted to NTV "as an experiment." Who will decide whether the experiment was successful or not?

We would like very much to believe that the viewers, who are questioned by sociologists, will decide.

Sociological data obtained by V. Vilchek's Service during the course of the first week of NTV broadcasting on Channel 4 show: The debut took place—and it was successful. All the films and programs presented to the court of the viewers without exception immediately gained a steady audience. So far there has been no stunning triumph. The viewers have not rushed en masse to Channel 4 and the other channels still have their usual audience. But there are not the kinds of fluctuations that are typical of other channels: For instance, "Field of Miracles" was viewed on Ostankino by 51 percent of the viewers, and the nightly "Press-Express" on that same day received only 2 percent. Practically all the NTV night programs under the rubric "Retro TV" ("Tavern, 13 Chairs," "Around Laughter," "What? Where? When?") were seen by up to 12 percent of the viewers during the first week. This means that the viewers' demand was calculated quite precisely. The ratings of the

NTV information programs increased from 5 to 16 percent during the week. At the same time the program "Today" is retaining its audience on the St. Petersburg channel, which shows the force of habit. The audience for Leonid Parfenov's program of nonpolitical news, "The Other Day," increased sharply: While on the St. Petersburg channel during all the time of its existence it never exceeded 5 percent, last Saturday it exactly doubled. And another 5 percent watched "The Other Day" on Channel 5. The program "Results" on Sundays garnered a total of 25 percent of the audience (17 percent on Channel 4 and 8 percent on Channel 5), which approaches their former Ostankino indicator. The rating of the program "Vremecho" (which NTV is now buying from Avtorskoye TV) increased 1.5-fold and on certain days it even doubled. This can be explained by the fact that the usual audience for this extremely specific program was augmented by the audience for the artistic films shown by NTV before "Vremecho." The viewers gave a good reception to practically all the documentaries, cartoons, and game films without exception—their audience ranged from 10 to 19 percent.

On the whole, from the results of the week one can say that no other company that started from scratch has had such a sure start. According to the data from a telephone poll of readers last Monday, at the end of the week 40 percent of those questioned were watching NTV programs at one time or another. Sociologists have never seen this kind of "full use" of Channel 4 before.

According to eyewitness testimony a slight panic reigned at the Ostankino briefing two days after NTV's debut. The terrible word was pronounced—"competitor." A strategic task was set—"we must do something."

Well anyway—everything is normal. We have lived to see competition on the airwaves. Now, whether we like it or not, it will be necessary to fight for the viewers. This is something new not only for TV itself, but also for the viewer—he is not used to having anybody fight over him. My girlfriend's father joked to me about NTV: "They have taken my life away." In the sense that now all you have to do is sit and watch. It is possible, of course, not to watch but it is a shame to pass up something interesting. This feeling—"it is a shame to pass it up"—has not been with our viewers for very long. Something else is more typical and traditional—"again nothing to watch." Here Poltoranin is undoubtedly right: Nonstate TV demonstrates an overt hatred for tradition not by ignoring the viewer but by showing an unusual concern for him.

In general the devil of nonstate TV did not turn out to be as terrible as certain "traditionalists" tried to depict him. On the contrary, he is fairly attractive. Television oriented toward the viewer—such is the traditional "mark" of normal TV throughout the world. If anybody tries to prove to me that this is bad I will listen with interest but I will hardly agree. TV oriented only toward the authorities is much worse. TV oriented only toward commerce is much much worse.

**ROSSIYSKAYA GAZETA Former Editor
Interviewed**

944F0308C Moscow NEZAVISIMAYA GAZETA
in Russian 29 Jan 94 p 6

[Interview with Valentin Logunov, former editor in chief of ROSSIYSKAYA GAZETA; Pavel Koltsov; place and date not given: "Val Logunov: 'We Did Not Betray the Ideas of the Interregional Deputy Group'"]

[Text] *The former editor in chief of ROSSIYSKAYA GAZETA thinks that this publication should be taken back under the wing of the legislators.*

As a rule, NEZAVISIMAYA GAZETA does not intervene in the disputes and conflicts involving colleagues within the editorial offices. But there are exceptions. We decided to publish the interview with Valentin Logunov, former editor in chief of ROSSIYSKAYA GAZETA (he calls himself the "organizer of ROSSIYSKAYA GAZETA" and "one of Boris Yeltsin's associates") for several reasons. First, ROSSIYSKAYA GAZETA is a budget-financed organization and this means that it is paid for by the taxpayers, and if only for that reason its destiny is more than the private affair of the editorial staff alone. In the second place, ROSSIYSKAYA GAZETA was drawn in to the extremely fierce conflict between the two branches of Russian power and did not emerge from it without losses. In the third place, in the corridors of the State Duma there are discussions of the need to return the parliamentary ROSSIYSKAYA GAZETA to the legislators.

Valentin Logunov is a former USSR people's deputy and a member of the coordinating council of the Interregional Deputy Group [IDG] of the Union Congress. At the end of September 1993 he was discharged by Russian Prime Minister Viktor Chernomyrdin from the position of editor in chief of ROSSIYSKAYA GAZETA.

[Koltsov] ROSSIYSKAYA GAZETA was shut down twice in three years. The first time by a decree of the State Committee for the State of Emergency and the second time—on the basis of Yeltsin's edict. Why?

[Logunov] You see, from the autumn of 1991 through September 1993 ROSSIYSKAYA GAZETA made a marked shift in the sense of supporting political leaders. And from the standpoint of past authorities—the State Committee for the State of Emergency—and present ones—President Yeltsin—it turned out to be a politically dangerous publication for both.

[Koltsov] You said that the newspaper had made a marked shift. Does this mean that the editor in chief also recanted his initial political views?

[Logunov] It is sufficient to leaf through the files of ROSSIYSKAYA GAZETA to be convinced that this is not true. The newspaper and I, its editor in chief, never betrayed those ideals of the IDG. Remember which ideas came from the IDG: power to the soviets, separation of powers, parliamentarianism, a multiparty system, freedom of the press and speech...and who cast off these

white robes when they came to power? Was it not Popov and Yeltsin, the former cochairmen of the IDG? Was it not Burbulis and Poltoranin, former members of the coordinating council of the IDG? Time and the actions of these people showed that the main thing for them was power for its own sake.

Even now I think that the Supreme Soviet, with all of its shortcomings, was a most influential and responsible political force, one capable of opposing the antinational policy of the Yeltsin team. And this political, I repeat, political force was suppressed by arms, by the army. The Constitution was trampled upon, dozens of federal laws were grossly violated, and citizens were killed. After what happened I cursed the days when I supported and aided Yeltsin. So others have committed the betrayal.

[Koltsov] You fiercely condemn the Yeltsin team but what is your attitude toward politics and politicians close to Khasbulatov?

[Logunov] You apparently want to know mainly my attitude toward Khasbulatov. In my view he is one of the politicians of the new wave, after 1990. Apparently his fairly good education, his analytical mind, and his exceptional ability to work have had their effect. I am convinced that he could have done a great deal of good for Russia if the Supreme Soviet had not been forced into a confrontation. I have already had occasion to speak about this but I repeat: The irreconcilability and hostility between the president and the Supreme Soviet was fanned artificially and those I have already mentioned in our conversation were especially successful at this. They were constantly getting the president riled up and agitated. They deliberately drove the parliament into a right-wing, "conservative" corner.

Remember how they badgered Khasbulatov. Yeltsin's team, the press, and television used the same devices and methods that were used against Yeltsin himself at one time. All this was loathsome and I am surprised that he could endure such a thing. I chanced to find him in a depressed condition after a regular attack. What can you say to a person when buckets of mud have been slung at him? I said: "Ruslan Imranovich, hang on another year. In a year Russia will understand who is who." He laughed: "A year?! What are you talking about!" Approximately a year later they were shooting at parliament.

Of course Khasbulatov had many shortcomings. It seems to me that he had a poor sense of people's psychology. He did not listen enough to others' opinions. He was trusting and untrusting at the same time, depending on his subjective idea of a person. Sometimes he admired himself and was restrained in his assessments of his opponents, which caused him a great deal of harm. But I am convinced that Russia will need Khasbulatov as a politician. True, I am not sure that he will want to work at this after all they have done to him.

[Koltsov] Do you think that the suspension of the publication of ROSSIYSKAYA GAZETA during September

and October and your dismissal from your positions—was all this not done to get back at you personally?

[Logunov] Well that was probably not the only thing and not the biggest thing that provoked them to take such measures. You see, by that time ROSSIYSKAYA GAZETA really had become an influential publication both in Russia and abroad. The newspaper adequately reflected the Supreme Soviet's position and we discussed the political situation in the regions in detail and objectively. And, well, could the authorities who decided to physically destroy the Russian parliament fail to turn their gaze to the newspaper of the Supreme Soviet? Look: On 21 September 1993 the famous Edict No. 1400 came out and on 23 September Chernomyrdin signed the decree on ROSSIYSKAYA GAZETA, and on 24 September I was dismissed from my position. What speed!

[Koltsov] They say that they had to force you to leave your office.

[Logunov] The "assumption of power" of the new editor, Natalya Polezhayeva, took place in the presence of three or four armed men. Later I was told that these people were from Mikhail Poltoranin's guard. I do not know, perhaps things would have reached the point of the use of force but I left the office of my own accord. That happened on 5 October, after the White House was fired upon.

[Koltsov] You probably do not regard with favor the current editor in chief of ROSSIYSKAYA GAZETA.

[Logunov] This person was promoted by Poltoranin. She told me in our first conversation that she could not refuse Mikhail Poltoranin because she owed him a great deal. It is known that Poltoranin went through dozens of applications but they all refused, apparently thinking it unethical to break into a house that was built by others. It seemed to me that Natalya Polezhayeva also was experiencing shame; her entire face was covered with red spots. I even sympathized with her at that time and said that it was not very gentlemanly of Poltoranin to heap such moral responsibility upon a woman's shoulders. But later she obviously overcame her sense of embarrassment and awkwardness.

[Koltsov] How do you feel about the talk of turning ROSSIYSKAYA GAZETA over to the State Duma?

[Logunov] I am convinced that ROSSIYSKAYA GAZETA readers do not want this. The circulation of newspapers depends to a certain degree on their political biases. The reader of one newspaper or another is the person who sees in the newspaper he selects a corroboration of his own views. We tried to be an objective newspaper, to present various viewpoints, but at the same time we resolutely defended parliamentarianism, the unity of Russia, the priorities of domestic entrepreneurship, and the spirituality of the nation. It is precisely with these qualities, in my view, that we attract readers. And suddenly, all at once, the reader starts getting a different newspaper. This is like it would be if you paid for one thing in a store and they slipped you something else. Of course the government

cannot but understand how unceremoniously it has dealt with the readers but apparently it wants very badly to get its hands on this tidbit.

The second point is related to the interests and rights of the journalists of ROSSIYSKAYA GAZETA. About 40 journalists have left it in three months—for political reasons. They could not and did not want to change their political convictions. So I wish to ask the "fathers of Russian democracy": Is this your democracy when a journalist does not have a chance to perform his professional duty, to write in his newspaper what he thinks is true, of that which he is sincerely convinced?

And, finally, the third point: To whom should the newspaper belong? I am convinced that it should be either the State Duma or the federal assembly as a whole. The president and government have adequate mass media where they can present their viewpoint. The legislator should have the same opportunity. Possibly the times will come when the mass media really do become independent, but to talk of this today is a deliberate deception. We found out about the "independence" of Bragin television and the pro-presidential newspapers, and we know quite well who supports them and how.

Also the utmost in hypocrisy are discussions to the effect that the authorities should not have their own newspapers. When waging these discussions that same Poltoranin had in mind only one authority, the one that did not suit him: the legislative. Now he and people who think as he does have ended up in the Duma and you can be sure that they will gain control of the mass media with the same persistence. The formula is simple: Where Poltoranin is, there too is the power. And it is both funny and sad at the same time.

I think that returning ROSSIYSKAYA GAZETA to the legislature is one of the first tasks that should be resolved by the State Duma. Then the Duma would be able to communicate with the voters in plain language. But we must not allow this cause to be joined by people who have compromised themselves with destructive qualities, who have manipulated the mass media all these years.

NEZAVISIMAYA GAZETA Response to Poltoranin Anti-Semitic Comments

944F0308D Moscow NEZAVISIMAYA GAZETA in Russian 28 Jan 94 p 8

[Article by Aleksandr Minkin: "Mail: Criminal Candor"]

[Text] On Wednesday evening a package containing the note published below and a personal letter from its author, the editor in chief of NEZAVISIMAYA GAZETA, was delivered to the NEZAVISIMAYA GAZETA editorial offices. NEZAVISIMAYA GAZETA traditionally offers its readers the opportunity to express themselves freely on its pages, especially if there is a suspicion that the other pluralistic domestic press is not pluralistic enough, so that the invective the author holds dear will still be published somewhere. For example, during the first days after the

August putsch in 1991 when the communist press was banned, NEZAVISIMAYA GAZETA published Mr. Limonov. But there is no need to attach personal letters. Everything is clear without them.

Monday on television M. Poltoranin stated: "Journalists use the language (not Russian) which I call 'camp Hebrew.' It is the language of lies, Russophobia, and contempt for the people. The journalists do not understand that they are evoking a wave of anti-Semitism in response."

So this is the language in which the newspapers are published in Russia.

What comment can be made here, how can this be interpreted?

Poltoranin could have called the camp language "jargon," "criminal talk," or "perverted Russian." He called the language of journalists "camp Hebrew."

Hebrew is the ancient Jewish language. "Russophobia" is a word put into the chauvinistic article by the same name by the magazine NASH SOVREMENNİK. And in order to make sure there were no doubts, Poltoranin added the bit about the "wave of anti-Semitism in response." It was clear that only Semites could cause such a wave.

We did not learn anything new about Poltoranin. But this was the first time he was so candid. Like DEN, Pamyat, and Mr. Zhirinovskiy.

For the candor—thank you.

If M. Poltoranin, the chairman of the State Duma Committee on Mass Media, will allow us, we will teach him some pure Russian. For it was not in vain that he wrote in ROSSIYSKAYA GAZETA: "The average statistical journalist is an ordinary person who does not always understand the deep processes in the change of formations. He, too, needs guides to the roads of reform."

Now I know precisely who our Guide is. And, of course, I want always to understand the deep processes.

In the summer of 1950 Comrade Stalin wrote the work of genius "Marxism and Questions of Linguistics."

The entire country learned by heart the Discovery that language is neither a base nor a superstructure. So many people who understood poorly went to the camps—may God remember their names!

Poltoranin is a continuer of the great cause. He learned, he understood, and he did not forget. By adding to the word Hebrew the adjective "camp," Poltoranin, it seems, was also hinting at our future destination.

Deep processes are frequently reflected in folklore. And we, over a bottle, for many decades have sung accompanied by a guitar:

*Comrade Stalin, you are a great scholar.
In linguistics you are simply a luminary.
But I am a simple Soviet prisoner—
Not a Communist and not even a Jew.*

We sing it in chorus—Russians and Jews and Tatars (we have all kinds of journalists). We sing in Russian because they did not teach us Hebrew.

We sing and we look at how, shuffling along with a party gait, the solid member of the State Duma goes to the podium. Chairman of the mass media, Russia's Choice, M. Poltoranin.

It is difficult to reproach a person for both anti-Semitism and Russophobia at the same time. But I have to say that you rarely hear such malicious Russophobia as comes from that same Poltoranin. On that same television program he stated: "The Russian idea is coming to a head, like a boil."

Is it not painful for you to sit down, Mikhail Nikiforovich?

P.S. I have no questions for the new procurator general. He already knows (from experience from Stepankov) that it is better not to disturb Poltoranin. Kazannik understands that fanning ethnic dissension at such an altitude—is not even criminality, it is not Article 74 of the Criminal Code of the Russian Federation, but—it is politics! Our native domestic politics. Because for a Western politician such a statement would be tantamount to suicide.

The only person to whom (without any special hope, incidentally) one can ask a serious question is Gaydar.

Yegor Timurovich, you are the leader of Russia's Choice. Poltoranin is in your ranks. If he says such things and you remain silent—does this mean that you have ripened? You are already a real 100-percent Soviet politician. You could be stamped as such. If there were a free space on you for the stamp.

ROSSIYSKIYE VESTI Explains Publishing Hiatus

944F0320A Moscow ROSSIYSKIYE VESTI in Russian
1 Feb 94 p 1

[Unattributed article: "ROSSIYSKIYE VESTI Is With You Again"]

[Text] Our newspaper did not come out from 25 to 29 January. This was an enforced break. And although the journalists of ROSSIYSKIYE VESTI are not at fault, we apologize to our readers for the information loss that it caused them.

But here is what happened. The editorial office introduced a favorable subscription for them, taking into account the high price of the subscription to a state newspaper and desiring to assist citizens who are oriented on receiving accurate and truthful information at

first hand. The creditor did not transfer money to the newspaper in time to pay for printing services, dispatching the publication, and payment for paper.

It is difficult not to associate this kind of "selective approach" with the fact that the ROSSIYSKIYE VESTI journalistic collective itself decided at the end of last year to become the founder of its own newspaper, breaking off relations with the government, which was not fulfilling its duties as the founder.

The policy of the government and the establishment of Russian statehood nevertheless remain one of the main themes of our newspaper, but we can now elucidate it more accurately and objectively, but, above all, from the aspect with which important policy is turned to the individual and his daily needs and interests.

ROSSIYSKIYE VESTI is with you once again, dear reader. You, too, stick with us!

Homeless People on Rise, Social System Unable To Cope With Problem

944E0485A Moscow NEZAVISIMAYA GAZETA
in Russian 10 Feb 94 pp 1, 6

[Article by Natalya Bepalova and Dmitriy Donskoy under the rubric "Problem": "1904-1994: There Is No Drop in the Number of Indigent in Russia; How Many of Them Are There Today—Nobody Knows"]

[Text] No statistics are kept on homeless people in Moscow, and therefore nobody knows their exact number. According to the most approximate estimates of specialists, it is several tens of thousands. In proportion to the total number of population of Moscow, this figure is considerably higher than in most other major Russian cities. An important transportation junction and the center of a metropolitan area, the capital has always attracted those for whom the song line "my address is not a house and not a street" has become a harsh reality of life rather than a romantic phrase.

One could get an indirect idea of the number of Moscow homeless from information on how many of them are brought annually to the only holding facility in the city, on Novoslobodskaya Street. For almost five years now this number has not dropped below 1,300. This is determined, however, not at all by the number of Moscow homeless but first and foremost by the capacity of the holding facility itself, which is precisely this figure. An ordinary Moscow citizen, however, can draw only one conclusion from his own observations: the number of beggars and homeless on Moscow streets and underground crossings is growing steadily from year to year. It is especially noticeable in the winter. In the summer, free to move away from central heating pipes and unlocked basements, the inhabitants of the capital city's foul places fan out to Russian nooks and crannies, only to return a few months later, in somewhat better shape, to the capital for the winter. In that same Moscow holding facility out-of-towners—a

questionable definition as applied to the homeless—account for 72 percent of its clients.

The state that once proclaimed the slogan "Everything in the name of the people, everything for the good of the people" has now found itself unable to pay even minimal attention to vagrants. In 1991 Russia repealed the article in the criminal code that stipulated a penalty for vagrancy and begging. A democratic measure at first glance—each person is free to live the lifestyle he desires—in reality it only worsened the situation. Having stopped persecuting those who by all laws of humanity need support rather than punishment, it has not offered anything instead. A system of aid to those who have hit the social bottom was never set up, and thousands of people who found themselves not only below the poverty line but also outside of normal human existence were now completely left to their own devices.

Left unattended, the illness progressed rapidly, however, and in the end it became impossible to ignore it any longer. The first to sound the alarm were Moscow health care practitioners. Thousands of homeless that flooded the streets dramatically exacerbated the health and hygiene situation in the capital and became walking carriers of the most dangerous diseases. The first case of cholera in Moscow in many years, in which the disease turned out to be caused by local sources rather than brought in from other regions, was diagnosed last year in a homeless man. Research shows that each Moscow vagrant carries a bouquet of five or six diseases. Almost 100 percent of homeless suffer from pediculosis, or, to put it plainly, infestation with lice. The same goes for tuberculosis. As early as the middle of 1992 a calculation was presented to the collegium of Russia's Ministry of Health Care, according to which an estimated 40,000 homeless with an open form of tuberculosis were roaming the country. The number of homeless in the country certainly has not declined since then, and, in the opinion of physicians, this was the main factor contributing to the fact that the curve of incidence of tuberculosis in the country has headed sharply upward.

Finally, the problem that had already become a plague of big cities was noticed at the top. On 2 November 1993, Edict of the President of Russia No. 1815 "On Measures of Prevention of Vagrancy and Begging" was issued; a month later it was duplicated by a Moscow Government decree of the same name. These documents could have come out much earlier, but the fathers of the nation, busy with important state affairs, fly on airplanes and almost never happen to pass through a railway station, and one cannot really see from the window of a government limousine the horror that is taking place today in underground crossings and around subway stations. However, whether even these belated directives will be carried out is unclear. According to the Government of Moscow decree, two branches of the holding facility, each with the capacity to accommodate 80-100 persons, are to be opened in Moscow before 1 March 1994. Despite the fact that the deadline is approaching, however, the addresses of the new institutions that are

supposed to open their doors to the Moscow homeless are still not known, and facilities have not been allocated for them. Not everything has been worked out regarding the creation of a system of social support for the current inhabitants of the streets either.

The president's decree envisages the function of the militia being limited to identifying, detaining, and bringing those engaged in vagrancy and begging to centers of social rehabilitation. There are no such centers as yet, and it is envisaged setting them up on the basis of the same holding facilities. The latter circumstance causes the greatest doubts among MVD [Ministry of Internal Affairs] specialists: it is unlikely that social protection service workers, who are predominantly female and will replace militiamen, will be able to handle easily the rather disagreeable population of the holding facility. Especially considering that most current homeless carry the luggage of an extensive criminal past. Among those who passed through the Moscow holding facility in 1993, 66.4 percent had prior convictions, and among men this indicator came close to the 100-percent mark. In addition, a check showed that 108 persons, that is one in 13, were fugitives, with criminal cases against them still open.

There is, however, a grain of utility in bringing social services to work with the homeless. Because the problem of people who have found themselves outside regular society is first and foremost a social one, and the militia alone cannot solve it. Holding facility workers who sent their wards for job placement have more than once picked them up time and again in the slums. It is hard for a person who has been a vagrant for many years to start a new life from scratch, and many deliberately choose the street again. But even for those who want to get back to normal life, this is very difficult to accomplish: one can fall out of it almost without noticing, but it is practically impossible to get back.

The banal phrase that socioeconomic crisis always is accompanied by impoverishment of the popular masses no longer sounds banal when real human faces fill the background behind the dry figures of declining production and gross national product. And once again, like 100 years ago, today's outcasts are digging into trash heaps, collecting alms in chewed-up caps, drinking moonshine, and sleeping on street cobblestones. Homeless Russia, the Russia of slums and gateways, of trash containers and people dying at rail stations, has already become the mirror of the Russia of limousines, casinos, and gold Rolexes. Both were born in front of our very eyes. But which one should we call the new Russia?

'Shrewd Operators' Speculate on Medication Shortages

944E0499A Moscow ROSSIYSKAYA GAZETA
in Russian 18 Feb 94 p 2

[Article by Inna Rozanova: "A Bitter Mixture from the Barbaric Market: How Hucksters Do Business in Medicines"]

[Text] Panadol, fever-reducing tablets—3,000 rubles [R], Neo-angin for the throat—6,000, Galazolin for a cold—1,000, the cough mixture Bronkholitin—2,500. Such are the prices for medicines for the common cold in pharmacies of the capital today.

But what about people with more serious maladies? Where are they to get this money during the times of this wild market and the merciless prices of medicines? After all, even the most ordinary No-Shpa now costs R3,000-4,000, the stomach preparation Festal—28,000, Nootropil for improving the memory—26,000, Moditen, a preparation with a psychotropic effect—R40,000, and the antitumor preparation Ziniristin—R117,000. There are even more costly medicines—for the antitumor preparation Litoksantron they are asking more than R2 million.

Are such prices always justified? State controller-price setters, conducting planned inspections throughout the country, state: There are now too many people in Russia wanting to line their pockets at the expense of those who are ill.

The most expensive medicines in our country are imported. State procurements through imports used to be subsidized from the budget and the prices were relatively low. Now the subsidies have been abolished. The state regulates only the level of the trade markup, but the price asked by Western firms or buyers is determined by supply and demand.

Many of the former domestic medicines have become imports. Plants on the territory of the Soviet Union specialized in particular kinds of medications. Now more than two-thirds of these plants are outside the Russian Federation.

In order to put a stop to energetic people who make a business out of pharmaceuticals and thus to protect the population from arbitrary prices, the government has adopted a decision to regulate prices of medicines. The rules of the game are very simple: Domestic manufacturing enterprises must deliver medicines to wholesalers at a price no more than the production cost plus 30 percent. In turn, pharmacies have been ordered to sell the preparations to the population at no more than 1.5 times the wholesale factory price of the producer.

It is only possible to verify the correctness of the price in each specific case. It sometimes happens that at neighboring pharmacies the prices for the same medicine differ severalfold, but there can be quite legitimate reasons for this. After all, although domestic producers also work "under scrutiny" of the state, with a restriction on profitability, they still purchase raw materials at free prices, including through exchanges. Therefore batches of one and the same medicine from one and the same plant, even if they are produced only a couple of days apart, can have completely different factory wholesale prices.

According to the law the penalty for exceeding the trade markup is paid by the pharmacy—the last link in the commercial chain. It most frequently happens that the

pharmacies are left with the last little bits of the total markup. As a result it turns out that this trading point is not able to pay its expenses. The majority of pharmacies in the country operate at a loss and local administrative organs have to cover their costs. But since the local administration does not always have enough money for this, the real prices of the medicines in pharmacies frequently exceed the amounts of the established markups.

When it comes to the northern and remote regions of the country that are accessible only by aircraft, this is a special problem. Transportation costs of delivering medicines there sometimes turn out to be several times higher than the factory wholesale price of the manufacturing plant. Local authorities must deal with this problem as well. For example, the Council of Ministers of the Republic of Komi, arbitrarily and with the consent of its Supreme Soviet, permitted them to apply free trade markups of an average of up to 300 percent. And the government of the Republic of Sakha (Yakutia), conversely, established and introduced fixed retail prices for 260 kinds of medicines. This means that in Yakutia pharmacies are subsidized from the local budget.

But Yakutia and Komi are special regions, the local authorities are not asleep at the wheel there, they have the situation under control. It is another matter when individual pharmacies apply arbitrary trade markups without permission and thus profit from those who are suffering. For example, BAZL, a small enterprise that is a limited liability partnership from Bratsk in Irkutsk Oblast, when selling medicines applied an arbitrary trade markup of from 200 to 1,500 percent. As a result, in just a half year the total excess of prices amounted to more than R2 million.

As was discovered as a result of a state inspection, the Zelenograd pharmacy from a satellite city of the capital by the same name sold the medicine Novopassit at 23 times the wholesale price, and pharmacy No. 422 from the same population point "gladdened" the buyers of the preparation Nikodin by exceeding the factory wholesale price as much as 29-fold.

An inspection of one-tenth of the Moscow pharmacy network showed that 70 percent of the pharmacies are violating the law by applying trade markups in excess of the maximum level. As a result of this the population was overcharged more than R16 million.

There is no doubt that the pharmacies, like the producers of the medicines, are having to return their illegally obtained profit and are being fined in the same amount.

The deliberate raising of the trade markup by the pharmacies is only the most primitive of all the possible financial tricks. Much more clever machinations can occur in any of the links of the trade chain, including at the level of the intermediary-wholesalers. For example, the joint venture Panta-Vitamin was created in July 1993 in order to sell products of the Moscow Endocrine Plant. This plant was one of the founders and, a month

later, by August, 82 percent of all the products produced by the plant were sold through the joint venture. By raising the prices of medicines over such a short period of time the schemers from Panta-Vitamin were able to overcharge the pharmacies a total of R2.5 million, the wholesalers—R176.4 million, and private individuals—R29,200. In addition to the fine the price controllers made the Panta-Vitamin joint venture pay R357.8 million into the budget.

Machinations are also possible against a background of privatization and the founding of "fake" joint-stock companies. The manager of pharmacy No. 477 in the city of Zelenograd, N. Suvorova, and her accomplices, illegally, without consent from the Moscow Government, decided to change the organizational-legal form of the institution entrusted to her, forming the Central Pharmacy joint-stock company. At the same time the energetic manager founded another joint-stock company, on the same premises, but with a different name—Vitafarm. The business was organized, as it were, simply but tastefully. A one-sided "exchange" of goods took place between these joint-stock companies. Central Pharmacy, receiving medicines that were in critical short supply with subsidies from the budget, turned them over to Vitafarm—and here they were not shy about jacking up the prices as far as they would go.

True, frequently the pharmacies had to violate the law by not requiring their suppliers to indicate the prices of the manufacturing plants in the payment documents. This happens when medicines that are in critically short supply are offered to them by exchanges or intermediaries working with foreign goods. They give only their final price. And what they pay the manufacturer for the goods—this is their trade secret.

Frequently the medical workers themselves try to feather their nests from medicines, operating according to the principle "what they do not know will not hurt them." How do prescription medications end up in the bags of those people who are selling them directly at the doors to the pharmacies? There are plenty of "loopholes" for underhanded people.

What ways of lowering the cost of medicines are suggested by experts from the former Russian State Committee on Prices? They think that it is undoubtedly necessary for the state to monitor the prices of manufacturing plants and the level of markups for the trade network. Fines should be imposed not only on enterprises and organizations that violate the price-setting procedure but also on specific officials who contribute to these violations. This right has been granted to organs for monitoring prices by the Law of the Russian Federation "On Making Changes and Additions to Legislative Acts of the Russian Federation in Connection with Clarifying Liability for Illegal Trade." Specialists recommend that the pharmacies switch to direct deliveries of medications from the production plants—but this is difficult right now, especially in outlying areas. The fact that the pharmacies do not have enough of their own

funds to purchase medicines and the high cost of bank credit are also unsolved problems.

Until we manage to beat inflation we will remain far away from the ideal system of prices for medications that exists in developed countries. There prices of medications are fixed—this is linked mainly to medical insurance. The cost of the medications included on the "insurance list" is balanced between supply and demand.

There is no doubt that at this point our state is capable of helping purchase medicines only for disabled persons, veterans, and other underprivileged citizens by granting them the opportunity to obtain medicine free of charge or with a considerable rebate. But this certainly does not mean that anybody can take advantage of our problems to feather their nests.

VAZ Plant Motor Vehicle Production Resumes

944E0481A Moscow TRUD in Russian 12 Feb 94
Saturday Edition p 4

[Interview with Mikhail Dobyndo, deputy director of Body-Assembly Production of the Volga Passenger Vehicle Production Association, by Sergey Bystrov, TRUD correspondent: "VAZ After Conveyor Start-Up"]

[Text] The second work week at AvtoVAZ this year ended today. Only the second, because the motor vehicle giant delayed the start for a whole month. This was a mild shock to the country. But what about the plant? In general, what awaits it, its motor vehicles and our motor vehicle fans? Our TRUD correspondent interviews Mikhail Dobyndo, deputy director of body-assembly production of the Volga Passenger Vehicle Production Association.

[Bystrov] Mikhail Nikolayevich, the future of AvtoVAZ is, after all, the future of all our passenger vehicle building as well. We suddenly learn that our motor vehicle giant, perhaps even as a surprise to itself, is beginning to stumble. What has happened to it?

[Dobyndo] As the person responsible for the direct finished output of motor vehicles, and as deputy production director, I would in this situation still single VAZ out from the complex of problems which exist around us as a whole today. We stood idle for a month, fearing that complications might arise with the start-up of the equipment, because the conveyor had never before been shut down for such a long time. For planned repair work, for two to three days—of course. But this was for a month. The conveyor came to a standstill. Large-scale repair work on it was in full swing—it was being modernized. Naturally, we feared for the control system: it was easy to disturb it and hard to put it right, and we also feared some sort of unexpected losses. This does happen. Nevertheless, we started it up successfully and did the entire program for a whole week. I don't remember having done a program for a whole week running like that in the last five or six years. Last Saturday, we even had to shut down the conveyor 45 minutes early, so that we would not put out superfluous motor vehicles.

This indicates that the plant has lost nothing on the organizational-technical plane. It has not lost its traditions or its stability, and most important—has not lost its people. The plant will operate—we have no doubt of that.

As for matters linked with price formation, with product sales and with non-payment problems—they are very critical for us even today, and they are holding us back.

In the first week we assembled 12,500 cars, and sold 7,000 at best. Not only do we now have finished vehicles parked in fenced-off areas, we have gone out beyond them. This is because we don't have the proper sales. Before the new year we had uncompleted cars standing in the same place, but now they are marketable ones. It is already a bit easier. True, even now we have some things not completed, but that is all right: for example, there is no upholstery in the trunk compartment, nor cigarette lighters.

Money is coming in with paralyzing slowness, however, even for the goods that have been sold. This year we began to receive payments only after 25 January. After all, the supplier plants have no money either, and cannot get started without it. But the money was late coming to us, and it is late getting to them. We had to seek internal reserves. On 4 February, a trilateral agreement on delaying wage payments was signed between the administration, in the person of our president, the production council and the trade-union committee. Wages for our plant now constitute about 25 billion rubles [R]. We have not paid wages for January to those who were working, and we did not pay for December. We paid only monetary allowances. It was decided in February to pay half of the wage for December and January. This will give us a saving in the order of R15 billion, which can be thrown in to help the suppliers. In March, however, we will try to pay the rest. Our people were understanding about this.

[Bystrov] It is clear that your main problem is creating normal conditions for conveyor operation. When these conditions do not exist, it causes great difficulties for the plant. Can it be that some sort of basic changes are needed? And moreover, quickly, while work is going on? Let us say, with that very non-liquidity of the product?

[Dobyndo] How did our plant's non-liquidity form? Primarily because we have lost the market of the former Union. It used to be that only about 40 percent of our motor vehicle sales were made in Russia. Last year we sold 97 percent of all the sales on the territory of the former USSR in the Russian Federation. We have completely lost Ukraine and all the southern republics, including Kazakhstan. Why? It is the same problem of non-payment. The problem of unstable currency. There is no clear-cut mechanism for clearing operations between the former republics. Even though we receive from Ukraine, let us say, a lot of completing items (all the wiring for the motor vehicles and the zinc-plating for the gas tanks come from there), we get it for payments.

We generally settle accounts with the neighboring countries in full, mainly with commodities. Today this is not very profitable, because this does not allow our sales offices to develop normally or study the market. We are forced to be attached to monopolists, who hold us back.

The Russian motor vehicle market for us today is almost saturated. I don't think that our motor vehicles are too expensive right now. They were expensive when, beginning on 1 November last year, we very sharply raised the price level, thereby virtually suspending shipments and sales for two months. In the past we would follow inflation, but still lagging behind it, we raised the prices by 15-20 percent almost every two months. For us this process delayed sales by about a week or two. In November, however, not counting on the stabilization of the ruble exchange rate, we decided to create for ourselves the conditions for stable work, at least for one quarter. Our desires, however, were not realized. Still, we can see that everything around us is in much worse shape than our motor vehicle plant.

[Bystrov] Will you perhaps now have to take special care of your independence in all your relations? After all, it is to be hoped that the economy surrounding the plant will stabilize quickly?

[Dobyndo] Formally, we now have enough independence. We have the independence to make all our decisions. If, however, by this you mean economic self-provision, it cannot help but depend on the situation in Russia in general. In any developed country, the motor vehicle industry is an indicator of the state of the entire economy and the state of industry. Our country, it seems to me, does not want to think about this. Any motor vehicle industry, in the time of its crisis, enjoys powerful financial support from the state. Right now Chrysler and Ford are working on the creation of a motor vehicle for the next century. They have powerful support from the state. This does not happen in our country. Apparently, it feels: whoever comes to the surface will swim out. Very serious destruction of industry continues. After all, while VAZ once provided 1 percent of the gross national income, today, together with our subcontractors, we provide 10 percent of Russia's gross national income. Even under these conditions, they don't show all that much concern for us, and it is difficult to survive.

What funds did we have for development up to now? We had enough from what was sold on the domestic market for our internal consumption and development without reproduction. (After all, we are left 18 kopecks from the ruble, and the other 82 kopecks go for taxes, for inordinately high taxes. When we ask the state for help, we are merely asking it to return part of what it took from us.) We obtained the funds for reproduction from export sales. Because reproduction is primarily the reproduction of technology—and you need currency here.

But while the state formerly took almost all the profits from us, one could "break loose" money from it, and

quite a lot, for the development of any sort of programs. To be sure, when readying the VAZ 2110 model, we counted on the appropriate help. According to all the schedules, the motor vehicle should already have come off the main conveyor, and this year we planned on coming out with the planned output of the "Ten." We had bought virtually all the equipment, and moreover, a long time ago. It has been lying around our plant for over 18 months now, that is, the equipment manufacturer's warranty period has already passed. There were no funds. When we start pinching from the cash boxes, we don't know what will happen. In general, though, we have no funds at all for development. For the first time we have begun to sell currency, in order to ensure normal production.

With any foreign partner, a contract is concluded when deferred payments are stipulated. Moreover, they are solid. It is normal practice throughout the world. In Russia, however, there is pre-payment everywhere. Where can we get it? Who will give it to us?

I realize that from the monetary standpoint, any state infusion today causes some additional percentage of inflation. Without it, though, industry cannot develop. Where, when, which belt should be shut down, which one intensified—this is the art of those who are responsible for reform in the country.

[Bystrov] I understand that the plant's future rests on the "Ten," and that without this step, the next ones are almost impossible?

[Dobyndo] The "Ten" is not the future of the plant, but a necessary step, without which we will lose the sales market. This year Russia seems to be protected from the influx of foreign makes. Our future is the next motor vehicle and extensive modernization of the plant and the assembly conveyor, at least the second belt, where the "Five" and the "Seven" are assembled. It is still hard to say, though, when this future will be traced out. The second future is connected with the production of the "Niva." At this production site, modernization will begin in literally two or three years, in order to produce the lengthened "Niva" in accordance with the standard for normal modern "jeeps." And with a new engine, up to two liters, etc. At the same time, a separate assembly plant should continue to produce 100,000 "Sixes" for the domestic market, so that we have money. We have the capacities for this.

These are the prospects, although the situation may change at any moment. The "Ten" has already been created, it has only to be launched on the flowline. The quicker that happens, the more profitable for the plant, the consumer and the country.

[Bystrov] The most important question for VAZ right now is the transition to new technology, for after all, the basis of the existing technology has its roots in the late 1960's. Modern technology, though means cutting back

the number of people in the production process. This is a good thing, as long as people don't suffer. What awaits the plant here?

[Dobyndo] Yes, the fewer people employed in production, the more improved the technology. We will have no superfluous people. It is enough to remember that the AVVA program requires a huge number of specialists. This means we must fight resolutely to cut back the number of workers in the shops.

Where do we see reserves? In the first place, welding. Today, we have about 800 people working in the shop producing the "Six," but for the same program for the "Eight" and the "Ten" we have half the number of people working in the shop. True, there are more mechanics here, and very highly skilled ones. In the new, modern shops, however, if we succeed in stocking them up, the program for 200,000 motor vehicles a year can be ensured with only about 100 people. In the second place, painting. Today Chrysler, it is true, has just a little less than our capacity, and employs 56 people, but in our plant—there are almost 800. In the third place, assembly. All modern motor vehicle plants today operate translifts—self-powered electric bogies, which run on monorails according to their own program. There are none of these pusher conveyors, no weighting of structures and no interweaving of conveyors aloft or unnecessary service personnel. There must be translifts, because one can't manage without them, even though the principle of the conveyor remains the same as in our plant, for even in the West they have not been able to think up anything better. On the other hand, though, "wheeled technology" has long been in existence there. That is, there are no warehouse facilities. The transport unit which delivered the completing items to the conveyor is the warehouse.

[Bystrov] There was a time when you delivered completing items by air. This kind of "wheeled technology," however, is a very expensive pleasure.

[Dobyndo] Right now, unfortunately, the situation is the same. We use planes and helicopters. This is where the expense lies, and we should by all means eliminate it.

[Bystrov] The problem of supplies of completing items is in general a sore point for any plant. As far as we can see, mass losses of suppliers are taking place these days. Won't you also have to lose them or change them?

[Dobyndo] It is not that easy to change suppliers today, even if you feel like it. Those same bundles of electric wires from Kamenets-Podolskiy. The motor vehicle plant's currency funds were invested there, and all the cooperation ensuring the output of these bundles is directed there today. What does it mean to organize this type of production all over again today, let us say, in Russia? A lot of time and capital. Is it necessary? International cooperation is branching out all over the world. I do not think that we have to take a different path. Our plant always had the policy: develop our own suppliers, in order to raise the level of the motor vehicle

as a whole. It is simply senseless to lose what we have invested now. On the contrary, we are striving to help our suppliers, we are now tracing the entire chain of suppliers from the ore to the finished item which comes to us, in order to ensure uninterrupted supply. It is a very difficult matter, but we are forced to deal with it.

At the same time, of course, we are gradually developing a network of suppliers, and are also using defense enterprises for this. We have set up Lada-Konversiya, a joint venture, with headquarters in Moscow, which deals with working out a program of interaction. Possibly, in time, we will revise something somewhere, but it is simply impossible and purposeless to change mass supply immediately. After all, cooperation unites not only our economy, but also our people, so that supply volumes, including those with former socialist countries, even with the former Yugoslavia, are not cut down anywhere.

[Bystrov] Will it be somewhat easier for the All-Russian Motor Vehicle Alliance than for you?

[Dobyndo] If they manage to put the business on a normal market basis, then it will, of course, be considerably easier for them. Their starting point is different from that of the plant. The plant has piled up its losses in the last few years. The president signed an edict on the AVVA and on the motor vehicle plant, which removes the excise tax and all taxes on products made for development of the AVVA. Loans are provided for....

In the last few years we have long been trying to find some sort of foreign partner for normal investment and development. It seemed that we were just on the point of signing an agreement with Fiat—it did not happen, and then we were close to signing a contract with West German firms. Why? The motor vehicle plant still seemed to them an unreliable structure, even after it became a joint-stock company, because as before, state psychology was still retained there. The AVVA, however, is a completely new psychology, a new level of relations, virtually that very capitalization which organizes them. Our technical level is no lower than that at foreign plants, and the level of our specialists is quite high. Foreign firms are now after contacts, on their initiative, because they can see: this is precisely the form of ownership which the AVVA will have, which guarantees the investment of capital. There is a military-industrial complex with its own assets, there is the plant with its own assets.... This is an absolutely denationalized structure.

[Bystrov] Everyone hopes that the All-Russian Motor Vehicle Alliance will, all the same, produce vehicles that the people can afford. There are few people who can afford yours at this time.

[Dobyndo] Inflation will do its job, and our motor vehicle will again become affordable for the buyer. Even before, however, our vehicle was not affordable for the population masses.

[Bystrov] Even recently, though, almost every worker would put his name down on the waiting list for a Zhigul.

[Dobyndo] Yes, he put his name down because they were selling in a different way. At that time a motor vehicle, under the conditions of its scarcity, had two prices: the state price and the market price. The latter was sometimes three-fold higher. One out of a thousand, however, had the chance of buying a new vehicle at the state price. Even at the state price, many people acquired a car on borrowed money, to part with their purchase at a profit later, thereby putting his material situation in order.

In general, however, we always delayed in establishing prices for our motor vehicle, so that its wholesale factory price would constantly be lower than the market price. Only last year did we anticipate the market with respect to prices and we therefore slowed down sales. The plant is not free to dictate prices, though. There is a lower limit, which production expenses restrict, and there is an upper limit, restricted by buyer capability. This interval is very narrow, and we must not only be able to survive within it, but also to expand it, for freer maneuvering. The country needs our motor vehicle. Without it Russia will never be truly independent. It is not an easy task. But what is easy today?

Status of Gold Industry in Russia Examined

944E0479A Moscow *RABOCHAYA TRIBUNA*
in Russian 11 Feb 94 pp 3, 5

[Interview with Aleksandr Menshov, chief engineer of the "Severovostokzoloto" Association, by DELOVOY MIR correspondent Vladimir Androsenko: "The Hen Has Laid Golden Eggs..."]

[Text] *Magadan—The gold mining industry of the North-east survived in 1993, in spite of the tremendous difficulties. Extraction of the precious metal in Magadan Oblast, together with Chukotka, decreased by nearly 3,500 kilograms to a total of 40 metric tons (about one-third of all Russian production). With the extraordinary increase in prices for fuel, equipment, and materials, the mining enterprises lost stability, but remained afloat.*

"So some hopeful signs have appeared in the Far North's economy, and miners can look to the future with greater confidence now?" Our correspondent began an interview with Aleksandr Menshov, chief engineer of the "Severovostokzoloto" Association, with this question.

[Menshov] We cannot speak about normalization of the mining industry yet. Gold mining enterprises in the Far North can produce output only during the summer, during the placer season. The rest of the year we get ready for the season: we work the stripping rock, we bring gold-bearing sands up to the surface from the pits, and we repair the equipment.

But since the money for the metal is received only after it is sold, all this must be done on credit. This is where the stumbling block is.

The miners themselves are not in a position to finance the expenditures for future periods; after paying all the

taxes and levies, they have hardly enough for minimal social needs. Consequently, the question concerns the sources for financing these outlays. If the government—the main buyer of our product—gives us an advance payment, the enterprises will function and Russia will have gold. If it does not, it will have nothing.

Last year the Komdragmet [Committee on Precious Metals and Precious Stones] understood this clear dependence, it financed us on time, and the results are apparent. The association cut back extraction of the metal by 8 percent when there was a downturn of 20 and 30 percent at the Bilibino and Polyarnyy Mining and Concentration Combines, which had left the "Severovostokzoloto" organization and did not receive the proper support. But now there has been no advance payment, and stripping has already decreased by 10 percent in January, compared with last year.

The sector's collapse has not been ruled out altogether. A Komdragmet representative told gold mining managers at a conference on 17 December 1993 that a minimum of half the funds needed would be provided before 15 February. We also formed our economic policy on the basis of this promise. But by the end of January it was suddenly revealed that there would be no money and that the Komdragmet is just beginning its search for credit. But is this any way to conduct business? We have been literally driven into a corner, after all.

[Androsenko] Aleksandr Aleksandrovich, according to some reports, a government decree is being prepared which authorizes the banks to purchase gold from its producers. Does this mean that our government wants to shift some of the expenses to the businessmen as well?

[Menshov] I am deeply convinced that such a decision will be very detrimental to state interests. Yes, at first glance, considerable savings are indicated for the budget: by stipulating its right to purchase 50 percent of the metal, the state thereby reduces the amount of its advance payment. These are sizable sums: for example, we now need 210 billion rubles [R] in last December's prices.

It seems profitable, especially as the commercial banks are ready and willing to finance the gold miners for the remainder of our output. But in reality, there is no benefit here. A huge profit is simply slipping into private hands.

Think about it: we are selling gold at R15,000 per gram—at its current world price. But the price of a gram is already more than R50,000 in the jewelry stores. And this difference will exist for quite a long period of time. At present, two-thirds of the market value of gold items is supplementing the Russian budget, but if the decree you mentioned is issued, this will begin filling the pockets of the businessmen.

I think that concern for the budget should force the government to reject this undertaking and return to the previous system of financing and settlements. But this must be done more quickly, for time is more valuable than money now.

[Androsenko] It is no secret that the "Severovostokzoloto" enterprises are operating mainly at placer deposits. We cannot speak about increasing the proportion of bedrock deposits because of the high capital-output ratio. The association was not able to offer anything even to develop the "Kubaka" with its 100 metric tons of easily extracted gold, and this tidbit went to a Russian-American joint venture. So you are destined to "fade away" at the placers to the extent that they are depleted?

[Menshov] For the first time last year, we extracted more metal than we increased reserves during the entire gold season in the Kolyma. This was the result of the breakdown in geological work, not the exhaustion of natural resources. But we have enough, even of the reserves that have already been explored and protected, for a good 20 to 25 years. Of course, the quality of the placers is declining: their gold content is decreasing, and more stripping must be done.

Our only chance is to reduce the production cost of mining. In particular, we have now developed a new technology for extracting the metal without the use of cyanides. Its introduction will make it possible to reduce the cost of production by nearly one-half. There are other advanced ideas as well. But you are right: the tendencies to "fade away" may turn out to be quite strong. The causes are rooted in the unhealthy principles in organizing the economy.

As an example, we have not actually modernized our fixed capital for 3 years now. There is no money. The level of taxes now is such that simply nothing is left for reproduction and development. But using credits means hanging a millstone around our necks.

Take the "Kubaka." We need a minimum of \$100 million—R150 billion—to develop it. Commercial loans are now provided at a minimum of 213 percent interest per annum. The maximum extraction of gold there is 8 to 10 metric tons annually. Taken at today's prices, the entire cost of production will be less than it costs just to service the debt. Is this really conceivable for a producer?

After all, a joint venture undertook to develop the deposit only because the American side was able to obtain normal, civilized loans at 6 percent interest for the program. But by dealing with Russian commercial sharks, the SP [joint venture] would be bankrupt right away. After all, this involves deposits which are super-profitable by world standards. But what can we say about our placers then?

But after all, the farther we go, the worse it is. Thus far over 50 percent of the product's value has been collected in the form of taxes, a little over 37 percent has made up the production cost, 10 percent has gone to maintain the social infrastructure, and 1.5 to 2 percent has been used to assist those with low incomes and pensioners "on the mainland," to pay for containers, and so forth.

In 1994, according to our calculations, the tax on property alone will be increased by at least 24 times as much

because of the reassessment of fixed capital announced by the government. The rates of the tax on profit are also being increased. Production cost will rise sharply, for the new tax system will force our suppliers to raise the price of their products.

There is one more negative factor. It is no secret to economists that the Ministry of Finance has been supporting the understated exchange rate of the dollar until very recently. I do not know in whose interests this is, but it is clearly not in the interests of the domestic producer. Let us say that transactions with us for gold are conducted at the world price on the basis of such a regulated exchange rate. But at the same time, we are purchasing petroleum products, materials, and equipment at prices which are twice the world prices. Where is the logic? After all, this is not a struggle to normalize the economy at all, for inflation and the budget deficit only increase to the extent that production volumes decrease, and unbalanced prices exert a direct influence on this.

So I can definitely state that the main reason that gold mining enterprises will "fade away," if this takes place, will not be the exhaustion of natural resources, but economic policy.

[Androsenko] Aleksandr Aleksandrovich, the "Severovostokzoloto" Association was almost broken apart into numerous fragments as the result of purposeful pressure "from the top." Fortunately, you managed to stop the process of self-destruction, but voices calling for reunification are already being heard today in the enterprises that left from under your "wing." What has happened?

[Menshov] Yes, they are speaking more insistently about returning at the Polyarnyy and Bilibino GOK's [mining and concentration combines]. The Dukat GOK has stated unequivocally that it will become part of a holding company after shareholding is introduced in the form of a joint-stock company. Discussions among the prospectors about the separation have been discontinued. We now have 202 artels in operation, and a total of 21 have left us. The solution is quite simple: one cannot survive alone in the North.

"Severovostokzoloto" has maintained ties with its suppliers and is working with them without middlemen, which is significantly cheaper and faster. By combining the enterprises' funds, we can deliver everything needed in time and thereby ensure uninterrupted production. How can an individual GOK pay a billion rubles in advance for a steamship carrying explosives? But together we are finding this money. We have paid in full for the tankers coming to Magadan.

They attempt to accuse us of monopolism here, because we use this fuel ourselves and do not share it with anyone—but after all, these are normal market relationships. Why should we supply others to the detriment of our placers and artels? It is hard for them now, but after all, this is because they left us at one time in search of an easier life.

There is none in the North, and there cannot be under extreme natural and climatic conditions. Alas, it is not to no purpose that popular wisdom divides those who learn from others' mistakes and those who prefer to make their own. We are not gloating: what pleasure can there be here when everything that has been built up is being ruined, and when our economic space is being removed? And we are always prepared to unite on sensible principles to survive together.

[Androsenko] Over the past 3 years the territory has lost one-quarter of its population. People are leaving because they are tired of the North, the general disorganization, the poor supply, and most importantly, the lack of confidence in the future, the lack of prospects. But how do the miners feel?

[Menshov] Like everyone else. They are hoping that the government will be sensible. And the authorities must be more honest, too. They should be direct in stating whether Russia needs the North's gold and act in accordance with this.

The situation here is very simple: the lack of financing in advance means the treasury does not have 40 metric tons of the precious metal. Delaying the advance until May means reducing the output by 40 percent. Only it is not necessary to speak about the unprofitability of its production for the budget. I have already mentioned the comparative prices for gold in selling to the state and by the state.

I will also remind you that half of the money we receive goes for taxes—and the budget—right away. A substantial part of the budgetary income is hidden in the production cost (through the tax payments of our suppliers) and in the income tax on gold miners' wages.

Our sector is truly the hen laying golden eggs for the country. It can be killed, of course. But then we must question the responsibility of its owners.

Science Minister on State Policy

944F0344A Moscow ROSSIYSKAYA GAZETA
in Russian 18 Feb 94 p 3

[Report by Yuriy Konorov on round table meeting conducted at the Ministry and Technical Policy: "Will We Have Our Own Newtons?"]

[Text] A round table meeting was held at the Ministry of Science and Technical Policy.

The head of the Ministry, Boris Saltykov, who opened the meeting, emphasized that preserving the best part of Russia's scientific-technical potential in conditions of the economic slump is the main goal of state policy in the sphere of science and technology.

Boris Saltykov noted bitterly that because of the shortage of finances, all last year scientists had to think more about preserving science than developing it.

But even under these difficult conditions a great deal was accomplished. Forty-one state scientific-technical programs were formulated and are being realized. Proposals for realizing 117 priority technologies and new types of output within the framework of the state structural policy were prepared. Thirty-three state scientific centers received financial support, and that made it possible to preserve the leading scientific schools in the high technology fields.

For the first time and as one of the first among the republics of the former Union, Russia became a full-fledged member in the European technological program "Eureka." An intergovernmental agreement on scientific-technical cooperation with the United States was concluded. Russia's international scientific-technical cooperation made it possible to continue many scientific research projects in the field of high-energy physics, the human genome and bioengineering, and promising information technologies.

However, the speaker noted, the situation in the scientific-technical sphere is becoming increasingly strained. Science continues to be financed month by month and on the left-over principle. Thus, last year scientific organizations received about 300 billion rubles less than needed.

The number of scientific personnel is also declining: both because of the exodus of scientists to commercial structures and owing to the "brain drain" abroad. The best are leaving. The prestige of scientific labor has dropped, the proportion of graduates of VUZes [higher educational institutions] which train scientific cadres is declining, and scientific schools and entire fields are collapsing.

The volume of enterprise contracts with scientific organizations has sharply declined, construction of scientific facilities has ceased, and unique structures are becoming unusable. The disruption of contacts among organizations of the former Union republics is causing enormous losses to science and technology.

The lack of hard currency is retarding and reducing the scope of international cooperation.

Oil, Gas Industry Views Economic Plight

944E0447A Moscow TRUD in Russian 4 Feb 94 Night Edition p 1

[Article by Fedor Yermchenko: "Resuscitation After the Shock?"]

[Text] Replacement of certain of the actors in the government has elicited an ambiguous reaction from those who specialize in predictions. Some see in this a "recoil" from market reforms, others—the beginning of the next period of "shock-free therapy." Everyone assesses differently the statement of Prime Minister V. Chernomyrdin to the effect that the state must pay back its debts. Just think—the deed (entirely natural, even obligatory) has

not yet been done, and the mere promise of its fulfillment has evoked such polarized judgments. "Trillions are being shelled out to further develop the 'black hole' of agriculture," one central newspaper reported a few days ago. But indeed, these trillions in question are not being "shelled out." And this is not the charity of V. Chernomyrdin and A. Zaveryukha, but rather a debt to the farmers. We are already eating the final portions of the bread procured from them last year. We paid for this—but to whom? Why did the money not reach those who made the bread?

At the end of last year, the ideologues of stabilization gladdened Russian hearts: Look, they said—we have already curbed inflation, and the ruble is stronger. Just a little more, a little bit more... But let us take a look at what stands behind this report of victory. What has this "thrifty economics" turned into for the producers?

My desk is covered with statements, appeals, and open letters to the president, prime minister, and ministries, which are similar in tone. You become dumbfounded when you read them, and wonder what state of deep crisis our production is in today. Plants are standing idle. People have not received wages for months. Workers are in a state of pre-strike frenzy.

It is not possible to enumerate everything. Let us consider as an example just the key sectors. Once again the voices of our country's miners are sounding the alarm. The coal miners' union recently issued a statement which reads, in part: "Our trade union has always strived to resolve complex problems of social protection for the working people on the basis of mutual understanding and cooperation with the government. However, irresponsible promises by our partners in talks and their infringement of the terms of the wage-scale agreement compel us to take up a more rigid position."

The rigidity of this position is today manifest in the active preparation being made for demonstrations on the part of miners in the Kuzbass, Vorkuta, Chita, and the Maritime Kray coal fields. Once again the demands of the miners are "simple": The state must pay back the 272 billion rubles it owes them from last year. Delay in this regard may result in social upheaval. Workers at several coal enterprises have still not received their pay for...October! An interdepartmental commission on socioeconomic problems of the coal producing regions created by the government is doing nothing, according to trade union leaders. Instead of developing a specific program, they are engaging in empty debate.

A catastrophic situation has also come about at enterprises of the oil and gas production industry. It turns out that the "oil kings" are not wearing any clothes. The most profitable sector in the country, one would think, providing huge amounts of hard currency, is presently on the verge of coming to a halt. Workers have not received their wages for three or four months. And this is in Siberia, in the regions of the Far North!

From 18 through 24 January, all the general directors of the oil and gas production and refining industries gathered together with specialists from the Ministry of Fuel and Energy to develop a program for extricating the sector out of its crisis. A package of documents was prepared. Unfortunately, their authors (as reported in the press) have not as yet been able to "get through" to the prime minister to have these documents signed.

In the meantime, you and I have believed that in "shelling out" significant portions of our wages at the gas pump, we have thereby been ensuring normal labor and living conditions for our oil producers. We pay conscientiously for our bread and gasoline, but our money is not reaching those who produce all of this.

For a long time, "shock therapy" was relatively forgiving to metallurgists. But rapid price increases for energy and increased rail transportation charges have brought this sector to its knees as well. No halt is seen in the production decline. Entire enterprises are shutting down.

A similar situation has come about at enterprises of the shipbuilding industry, in the textile, machine-building, and other commodity producing sectors.

The picture we see emerging here is an alarming one. There is cause for despair. So, should the government be criticized for its attempt, albeit tardy, to rescue production from certain collapse? And it is not "shock-free therapy" that our economy needs today, but real resuscitation—without turning away from the market, of course.

Figures Show Production Problems of Machinebuilding Sector

944E0475A Moscow *RABOCHAYA TRIBUNA*
in Russian 11 Feb 94 p 3

[Report attributed to ITAR-TASS: "Only A Shadow of the Sector Remains"]

[Text] The situation in Russia's machinebuilding complex continues to be bad, according to ITAR-TASS. About 230 enterprises are idle and 240,000 persons are out of work.

This information was provided by Anatoliy Ogurtsov, chairman of the Russian Committee on Machinebuilding, at an expanded session of the collegium of this department.

A report prepared for the meeting by the committee's experts notes that production volume in the sector declined by 14.9 percent compared with 1992. The cutback of a number of items was especially substantial: chiefly trucks (81 percent), bulldozers (53 percent), and mainline diesel engines (70 percent). The production of drilling rigs dropped to 45 percent and the production of mainline electric locomotives decreased to 33 percent.

The chairman of Roskommash [Russian Committee on Machinebuilding] sees the establishment of financial-industrial groups as one of the ways to stabilize the sector. The committee is drafting the plans for 20 such groups.

The department head believes that the government should implement a selective state policy of support and introduce protective export duties on foreign machinebuilding output.

Poor Performance of Metallurgy Industry Reported

944E0475B Moscow *RABOCHAYA TRIBUNA*
in Russian 11 Feb 94 p 3

[Unattributed report: "Slow Speed Is Life-Threatening"]

[Text] First a few figures. In 1993, according to Roskommetallurgii [Russian Federation Committee on Metallurgy], metal consumption declined as follows compared with 1992:

- by 29.3 percent for rolled ferrous metals;
- by one-half for aluminum;
- by a factor of 1.7 for transportation metal;
- to one-quarter as much for high-strength drilling pipe;
- by one-half for compressor pipe;
- by 41 percent for rolled nonferrous metals; and
- by 50 percent for hard alloys and blends.

The list may be continued, adding more and more new items, but the trend is clear and alarming. An economy without metal, and it is a basic structural material here, is leading to a complete decline.

Each year no less than a million metric tons of rails are installed for Russia's railroads. This is not being done now. Essentially, the tracks are not being repaired as they should be. There are more and more sections where speeds are restricted. We do not hear of any new railroad lines at all.

There are limits to pipeline transport service, where the danger of accidents and disasters is increasing. The construction industry is taking barely one-fifth of the amount of metal which it used previously. And there is a recession in investments. Russia is being deindustrialized.

The payments system is one of the reasons for the difficult economic situation. Serafim Afonin, the chairman of Roskommetallurgii, is convinced that the present one is wrong. Under market conditions, no one should have privileges. But electric power engineering and the railroads are taking away the money anyway. After all these deductions, coal and iron ore have to be purchased from the remains.

As a result, metallurgists are settling only half their accounts with partners in money. The other half is by exchange in kind. Networks of 11 units are already being set up.

As of 1 January 1994, metal consumers owed 4.3 trillion rubles [R] to the plants. The metallurgists, in turn, owe R3 trillion to the suppliers. But taking into account what is owed to the budget, to the banks for nonbudgetary funds, and to others, the debt owed to creditors is R5.4 trillion. Metallurgical enterprises' own working capital declined from 51.5 percent in 1992 to 27.3 percent in 1993.

But perhaps metal is not in demand anywhere in the world? Or our Russian steel is not competitive? Not at all! Here are a few figures to think about.

The export of ferrous metals has doubled, reaching about \$4 billion in 1993. This includes an increase of 50.6 percent to Asian countries, 33.9 percent to Western Europe, and 4.9 percent to North America.

The export pattern has been changed, according to materials from Roskommetallurgii. The proportion of rolled metal (the finished product) has increased to 51.3 percent, and the proportion of unfinished work pieces has dropped to 30 percent.

Several exports of nonferrous metals have decreased, but this is another subject.

Indicators of the Effectiveness of the "Federal Program for Technical Reequipment and Development of Russia's Metallurgy (1993-2000)"

Indicator Description	Unit of Measurement	For the Program as a Whole, 1993-2000	Including the 1993-1996 Period
1. Savings in physical resources	trillions of rubles	27.438	4.704
2. Savings in energy resources	millions of metric tons of standard fuel per year	18.1	4.2
3. Dismissal of employees	—	140,000	80,500
4. Reduction of emissions into the atmosphere	metric tons	2.2 million	900,000
5. Capital investment	trillions of rubles	40.8106	24.078
including capital investment in foreign currency	billions of dollars	10.561	5.725
6. Total annual savings	trillions of rubles	6.0193	3.0173
7. Cost recovery of program's measures	years	6.78	7.98

'Joint Power System of Russia' Holds Conference

944E0462A Moscow KOMMERSANT-DAILY
in Russian 18 Dec 93 p 6

[Article by Anna Smirnova: "Russia's Power System Will Be Partially Denationalized"]

[Text] The RAO "YeES Rossii" [Russian Joint-Stock Company for Power and Electrification] is unique in the world in terms of the scale and unity of its energy complex, which encompasses Russia's entire electrical power infrastructure. "YeES Rossii" includes about 70 regional power systems and about 600 thermal and 100 hydroelectric stations with a total capacity of 210 million kilowatts, as well as electrical transmission lines approximately 2.5 million kilometers in length, and planning and scientific research institutes. Moreover, RAO "YeES Rossii" has at its disposal large blocks of stock from the power construction industry and power machine building. In 1992 electrical power output by enterprises that now belong to RAO "YeES Rossii" comprised about 1 trillion kilowatts per hour, and thermal energy—about 790 million gigacalories. Approximately 2 percent of electrical power was earmarked for export.

The Russian Joint-Stock Company for Power and Electrification (RAO "YeES Rossii"), the stock of which will be offered at check auction, will be the largest Russian enterprise. Already this winter the shares of the joint-stock society with its 70 billion in authorized capital will be offered at auction for vouchers. The auction rules were explained yesterday to reporters at a press conference organized by RAO "YeES Rossii."

RAO "YeES Rossii," organized approximately one year ago in accordance with an edict by the president of Russia within a complex of measures to denationalize the power system, is a unique joint-stock society. RAO "YeES Rossii" fixed capital includes the largest electric stations in the country as well as the entire network of communications that secures the transmission of electrical energy. RAO "YeES Rossii" claims authorized capital of almost 70 billion rubles and at the present time

87 percent has already been organized (contributions from the government and from regional energy systems). The par value of RAO "YeES Rossii" stock has been established at 500 rubles.

At the press conference held yesterday by Anatoliy Baranovskiy, vice president of RAO "YeES Rossii," the presidential edict on creating this AO [joint-stock company] with the controlling participation of the government was assessed as a logical step directed at achieving the unity and security of Russia's energy system. In accordance with the general ideology of reforming Russia's energy system and within the framework of creating a single technological and economic space, RAO "YeES Rossii" intends to institute cooperation among its daughter companies, which will be organized as regional energy complexes. Regional and federal analytic commissions, which will establish local rates for services by the power network and for the transmission of electrical power, will be created to regulate the operations of these daughter companies.

At the check auction for RAO "YeES Rossii" stock, which in all likelihood will take place already this winter, 20 percent of the total AO stock will be put on the market (at a value of slightly less than 14 billion rubles). There are no plans for the participation of foreign investors at this stage. KOMMERSANT-DAILY experts believe that one of the most active participants in the auction will be the labor collectives of enterprises that make up RAO "YeES Rossii" (total number of employees comprises about 1 million people). It should be noted that even before the carrying out of the check auction, RAO "YeES Rossii" decided to concern itself with the secondary market infrastructure for its stock. Thus, at the present time the AO administration is examining the question of concluding depository contracts (Germes-Invest and Menatep are competing to be "YeES Rossii" depositories). Moreover, as announced at yesterday's press conference, an official dealer has already been selected—the Russian brokerage house, "C. A. and Co." It will be involved in maintaining the liquidity of the secondary market of RAO "YeES Rossii" stock.

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